

LSI CORP
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 29, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-10317

LSI CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-2712976
(I.R.S. Employer

Identification Number)

1320 Ridder Park Drive

San Jose, California 95131

(Address of principal executive offices) (Zip code)

(408) 433-8000

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company.)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2013, there were 544,936,011 shares of the registrant's Common Stock, \$.01 par value, outstanding.

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FORM 10-Q

For the Quarter Ended September 29, 2013

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words estimate, plan, intend, expect, anticipate, believe and similar words are intended to identify forward-looking statements. Although we believe our expectations are based on reasonable assumptions, our actual results could differ materially from those projected in the forward-looking statements. We have described in Part II, Item 1A- Risk Factors a number of factors that could cause our actual results to differ materially from our projections or estimates. Except where otherwise indicated, the statements made in this report are made as of the date we filed this report with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. We expressly disclaim any obligation to update the information in this report, except as may otherwise be required by law.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****LSI CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except per share amounts)****(Unaudited)**

	September 29, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	\$ 396,251	\$ 471,528
Short-term investments	268,382	204,457
Accounts receivable, less allowances of \$4,317 and \$6,770, respectively	292,567	264,112
Inventories	170,132	206,323
Prepaid expenses and other current assets	66,658	80,372
Total current assets	1,193,990	1,226,792
Property and equipment, net	286,881	269,747
Identified intangible assets, net	397,232	486,119
Goodwill	255,005	255,005
Other assets	118,206	118,502
Total assets	\$ 2,251,314	\$ 2,356,165
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable	\$ 162,712	\$ 209,699
Accrued salaries, wages and benefits	136,711	129,533
Other accrued liabilities	160,660	177,662
Total current liabilities	460,083	516,894
Pension and post-retirement benefit obligations	512,407	559,252
Income taxes payable non-current	109,199	102,246
Other non-current liabilities	17,082	18,149
Total liabilities	1,098,771	1,196,541
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.01 par value: 2,000 shares authorized; none outstanding		
Common stock, \$.01 par value: 1,300,000 shares authorized; 543,623 and 550,894 shares outstanding, respectively	5,436	5,509
Additional paid-in capital	5,498,383	5,573,248
Accumulated deficit	(3,777,503)	(3,840,803)
Accumulated other comprehensive loss	(573,773)	(578,330)
Total stockholders' equity	1,152,543	1,159,624
Total liabilities and stockholders' equity	\$ 2,251,314	\$ 2,356,165

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The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**LSI CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Revenues	\$ 606,943	\$ 623,962	\$ 1,765,162	\$ 1,905,959
Cost of revenues	294,263	311,311	863,719	974,508
Gross profit	312,680	312,651	901,443	931,451
Research and development	172,296	167,488	520,049	512,923
Selling, general and administrative	85,422	92,032	262,349	271,046
Restructuring of operations and other items, net	6,739	4,221	34,998	26,174
Income from operations	48,223	48,910	84,047	121,308
Interest income and other, net	836	5,855	10,964	30,105
Income before income taxes	49,059	54,765	95,011	151,413
Provision for/(benefit from) income taxes	12,500	15,100	15,400	(22,162)
Net income	\$ 36,559	\$ 39,665	\$ 79,611	\$ 173,575
Net income per share:				
Basic	\$ 0.07	\$ 0.07	\$ 0.15	\$ 0.31
Diluted	\$ 0.06	\$ 0.07	\$ 0.14	\$ 0.30
Shares used in computing per share amounts:				
Basic	545,451	555,197	547,978	561,708
Diluted	563,621	572,022	565,570	582,296
Cash dividends declared per common share	\$ 0.03	\$	\$ 0.03	\$

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**LSI CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Net income	\$ 36,559	\$ 39,665	\$ 79,611	\$ 173,575
Other comprehensive income before tax:				
Foreign currency translation adjustments	(1,360)	3,575	(6,667)	178
Available-for-sale securities:				
Unrealized gain/(loss)	967	468	(2,449)	1,001
Reclassification of net realized loss/(gain) to net income	122	(115)	138	(817)
Derivative financial instruments:				
Unrealized (loss)/gain	(1,079)	991	(2,730)	(358)
Reclassification of net realized loss to net income	1,122	770	820	2,778
Amortization of net actuarial loss, prior service cost and transition asset on defined benefit pension and post-retirement plans	5,148	4,115	15,445	12,267
Other comprehensive income before tax	4,920	9,804	4,557	15,049
Income tax expense related to items of other comprehensive income				
Other comprehensive income, net of tax	4,920	9,804	4,557	15,049
Comprehensive income	\$ 41,479	\$ 49,469	\$ 84,168	\$ 188,624

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**LSI CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended	
	September 29, 2013	September 30, 2012
Operating activities:		
Net income	\$ 79,611	\$ 173,575
Adjustments:		
Depreciation and amortization	136,167	136,318
Stock-based compensation expense	67,620	83,538
Non-cash restructuring of operations and other items, net	6,415	5,739
Gain on re-measurement of a pre-acquisition equity interest to fair value		(5,765)
Gain on sale of investments		(2,550)
(Gain)/loss on sale of property and equipment	(58)	2,574
Unrealized foreign exchange gain	(3,706)	(80)
Deferred taxes	(467)	(43,246)