

POWER ONE INC
Form 10-Q
August 12, 2011

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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 July 3, 2011

**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 0-29454**

POWER-ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or Organization)

77-0420182

(I.R.S. Employer Identification Number)

740 Calle Plano, Camarillo, California

(Address of principal executive offices)

93012

(Zip Code)

Registrant's telephone number, including area code: **(805) 987-8741**

Not Applicable

(Former name or former address, if changed since last report)

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 a 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 (232.405 of this chapter) 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 considered a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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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 August 5, 2011, 103,793,790 shares of the Registrant's \$0.001 par value common stock were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Consolidated Condensed Financial Statements****POWER-ONE, INC.****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS****(In thousands, except per share data, unaudited)**

	Three Months Ended		Six Months Ended	
	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010
NET SALES	\$ 260,304	\$ 214,549	\$ 504,847	\$ 366,926
COST OF GOODS SOLD	172,926	135,142	333,211	241,791
GROSS PROFIT	87,378	79,407	171,636	125,135
EXPENSES:				
Selling, general and administrative	20,895	18,225	41,980	33,199
Research and development	12,086	8,568	23,382	16,946
Amortization of intangible assets	468	356	910	733
Restructuring costs		2,514		3,443
Asset impairment		409		409
Litigation	638		873	
Total expenses	34,087	30,072	67,145	54,730
INCOME FROM OPERATIONS	53,291	49,335	104,491	70,405
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	709	26	1,192	26
Interest expense	(1,631)	(2,016)	(3,018)	(4,035)
Loss on extinguishment of debt				(5,658)
Other income (expense), net	(4,496)	722	(6,709)	1,522
Total interest and other income (expense), net	(5,418)	(1,268)	(8,535)	(8,145)
INCOME BEFORE INCOME TAXES	47,873	48,067	95,956	62,260
PROVISION FOR INCOME TAXES	16,601	23,258	34,052	32,958
INCOME BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	31,272	24,809	61,904	29,302
EQUITY IN EARNINGS OF JOINT VENTURE	413	353	595	461
NET INCOME	\$ 31,685	\$ 25,162	\$ 62,499	\$ 29,763
PREFERRED STOCK DIVIDEND AND ACCRETION	870	855	1,736	1,706
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 30,815	\$ 24,307	\$ 60,763	\$ 28,057
BASIC EARNINGS PER SHARE	\$ 0.26	\$ 0.23	\$ 0.51	\$ 0.28
DILUTED EARNINGS PER SHARE	\$ 0.21	\$ 0.17	\$ 0.41	\$ 0.21
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	103,636	88,453	103,713	88,377

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DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	140,283	142,278	140,602	140,955
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See notes to unaudited consolidated condensed financial statements.

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	July 3, 2011	January 2, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 142,715	\$ 227,907
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$9,156 at July 3, 2011; \$5,876 at January 2, 2011	238,420	262,546
Other	6,061	7,980
Inventories	177,345	152,286
Prepaid expenses and other current assets	21,829	21,671
Total current assets	586,370	672,390
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$83,014 at July 3, 2011; \$72,879 at January 2, 2011	79,729	63,325
OTHER INTANGIBLE ASSETS, net	18,816	18,802
OTHER ASSETS	8,494	7,295
TOTAL	\$ 693,409	\$ 761,812
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 143,856	\$ 213,096
Restructuring reserve	109	549
Long-term debt, current portion		103
Income tax payable	6,340	103,739
Other accrued expenses	63,428	67,339
Total current liabilities	213,733	384,826
LONG-TERM DEBT, net of current portion	35,986	35,911
OTHER LIABILITIES	53,327	39,445
Total liabilities	303,046	460,182
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK par value \$0.001; 23.625 series A redeemable convertible preferred stock issued and outstanding at July 3, 2011 and January 2, 2011; liquidation preference \$1,000 per share plus accumulated dividends.	20,153	19,597
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001; 300,000 shares authorized; 103,705 and 103,975 shares issued and outstanding at July 3, 2011 and January 2, 2011, respectively	104	104
Additional paid-in capital	627,951	629,687
Accumulated other comprehensive income	68,834	41,420
Accumulated deficit	(326,679)	(389,178)
Total stockholders' equity	370,210	282,033
TOTAL	\$ 693,409	\$ 761,812

See notes to unaudited consolidated condensed financial statements.

Table of Contents**POWER-ONE, INC.****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(In thousands, unaudited)**

	Six Months Ended	
	July 3, 2011	July 4, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 62,499	\$ 29,763
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,785	8,799
Undistributed earnings of joint venture	(595)	(461)
Asset impairment		409
Change in fair value of derivative liability		(478)
Stock compensation	5,660	1,893
Exchange (gain) loss	5,479	(1,075)
Deferred income taxes	945	1,570
Net loss on debt extinguishment		5,658
Net (gain) loss on disposal of property and equipment	657	(5)
Changes in operating assets and liabilities:		
Accounts receivable, net	41,514	(25,140)
Inventories	(16,267)	(26,898)
Prepaid expenses and other current assets	1,797	(2,901)
Accounts payable	(81,208)	63,318
Income tax payable	(102,614)	18,413
Other accrued expenses	(1,400)	9,038
Restructuring reserve	(439)	(5,767)
Other liabilities	6,791	3,862
 Net cash provided by (used in) operating activities	 (68,396)	 79,998
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property & equipment	(19,238)	(8,320)
Proceeds from sale of property and equipment		348
Other assets	(856)	(603)