

SEMTECH CORP
Form 8-K
March 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) **March 5, 2014**

Semtech Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-6395
(Commission File Number)

95-2119684
(IRS Employer Identification No.)

200 Flynn Road
Camarillo, California
(Address of Principal Executive Offices)

93012-8790
(Zip Code)

805-498-2111

(Registrant's Telephone Number, Including Area Code)

Edgar Filing: SEMTECH CORP - Form 8-K

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition

Semtech Corporation (the Company), issued a press release and held a conference call on March 5, 2014. The press release announced its consolidated financial results for the three and twelve months ended January 26, 2014. During the conference call, the Company discussed these financial results. The transcript of the conference call is filed as Exhibit 99.1 and is hereby incorporated by reference in its entirety. The information in this Form 8-K and the exhibit attached hereto is being furnished (not filed) under Item 2.02 of Form 8-K. The transcript has been selectively edited to facilitate the understanding of the information communicated during the conference call.

During the conference call, the Company discussed non-GAAP measures of gross profit, net income, earnings per diluted share and free cash flow. To provide additional insight into the Company's first quarter outlook for fiscal year 2015, the conference call included a discussion of forward-looking non-GAAP earnings per diluted share. The non-GAAP gross profit, net income and earnings per diluted share measures exclude the following items:

- Stock-based compensation expense

- Acquisition related fair value adjustments

- Transaction and integration related expenses

- Intangible amortization and impairments

- Release of prior accrued taxes on foreign earnings

- Option related expenses

- Effect of enacted tax rate changes

- Charges directly related to the strategic realignment, including:

Impairment of goodwill

Impairment of fixed assets

Write-down of inventory

Write-down of net U.S. deferred tax assets

The non-GAAP discussion of free cash flow excludes capital expenditures. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's comparable financial performance between periods. In addition, the Company's management generally excludes the items noted above when managing and evaluating the performance of the business. Below are reconciliations of these non-GAAP measures to their most comparable GAAP results for the fourth quarter of fiscal years 2014 and 2013 and the third quarter of fiscal year 2014, and a reconciliation of forward-looking non-GAAP earnings per diluted share to its most comparable GAAP measure for the first quarter of fiscal year 2015. These additional non-GAAP financial measures should not be considered substitutes for any measures derived in accordance with GAAP and may be inconsistent with similar measures presented by other companies.

RECONCILIATION OF NON-GAAP MEASURES TO COMPARABLE GAAP FINANCIAL MEASURES

(Tables in thousands - except per share amounts)

| | January 26, 2014 | Three Months Ended October 27, 2013 | January 27, 2013 | Twelve Months Ended January 26, 2014 | January 27, 2013 |
|---|------------------------|---|------------------------|--|------------------------|
| Stock-based Compensation Expense | Q4 2014 (Unaudited) | Q3 2014 (Unaudited) | Q4 2013 (Unaudited) | Q4 2014 (Unaudited) | Q4 2013 (Unaudited) |
| Cost of sales | \$ 519 | \$ 413 | \$ 377 | \$ 1,665 | \$ 1,218 |
| Selling, general and administrative | 193 | 3,449 | 5,113 | 12,071 | 14,965 |
| Product development and engineering | 2,268 | 2,967 | 2,311 | 10,854 | 8,345 |
| Total stock-based compensation expense | \$ 2,980 | \$ 6,829 | \$ 7,801 | \$ 24,590 | \$ 24,528 |
| Gross Profit - Reconciliation GAAP to Non-GAAP | Q4 2014 (Unaudited) | Q3 2014 (Unaudited) | Q4 2013 (Unaudited) | Q4 2014 (Unaudited) | Q4 2013 (Unaudited) |
| GAAP gross profit | \$ 53,805 | \$ 83,411 | \$ 87,957 | \$ 335,211 | 314,612 |
| Adjustments to GAAP gross profit: | | | | | |
| Stock-based compensation expense | 519 | 413 | 377 | 1,665 | 1,218 |
| Expiration of acquired return rights | - | - | - | - | (676) |
| Acquisition related fair value adjustments | - | - | 4,382 | 2,408 | 39,406 |
| Restructuring charges | 16,776 | - | - | 16,776 | - |
| Impairment Charges | 4,342 | - | - | 4,342 | - |
| Non-GAAP gross profit | \$ 75,442 | \$ 83,824 | \$ 92,716 | \$ 360,401 | \$ 354,560 |

Edgar Filing: SEMTECH CORP - Form 8-K

| Net Income - Reconciliation GAAP to Non-GAAP | Three Months Ended | | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | January 26, 2014 Q4 2014 (Unaudited) | October 27, 2013 Q3 2014 (Unaudited) | January 27, 2013 Q4 2013 (Unaudited) | January 26, 2014 Q4 2014 (Unaudited) | January 27, 2012 Q4 2013 (Unaudited) |
| GAAP net income | \$ (210,808) | \$ 12,453 | \$ 13,118 | \$ (164,466) | \$ 41,939 |
| Adjustments to GAAP net income: | | | | | |
| Stock-based compensation expense | \$ 2,980 | \$ 6,829 | \$ 7,801 | \$ 24,590 | \$ 24,528 |
| Acquisition related fair value adjustments | 339 | 338 | 4,721 | 3,762 | 40,638 |
| Transaction and integration related expenses | (1,873) | 607 | 2,377 | 168 | 24,110 |
| Environmental monitoring and remediation reserves | - | - | 1,500 | - | 4,040 |
| Intangible amortization and impairments | 6,587 | 7,349 | 8,177 | 31,602 | 29,944 |
| Restructuring charges | 3,086 | - | - | 3,086 | - |
| Impairment charges | 59,075 | - | - | 59,075 | - |
| Goodwill impairment | 116,686 | - | - | 116,686 | - |
| Writeoff of deferred financing costs and refinancing fees | - | - | - | 8,773 | - |
| Total before taxes | 186,880 | 15,123 | 24,576 | 247,742 | 123,260 |
| Associated tax effect | 39,400 | (3,477) | (4,632) | 23,318 | (50,667) |
| Total of supplemental information net of taxes | 226,280 | 11,646 | 19,944 | 271,060 | 72,593 |
| Non-GAAP net income | \$ 15,472 | \$ 24,099 | \$ 33,062 | \$ 106,594 | \$ 114,532 |
| Diluted GAAP earnings per share | \$ (3.12) | \$ 0.18 | \$ 0.19 | \$ (2.44) | \$ 0.62 |
| Adjustments per above | 3.35 | 0.17 | 0.30 | 3.99 | 1.08 |
| Diluted non-GAAP earnings per share | \$ 0.23 | \$ 0.35 | \$ 0.49 | \$ 1.55 | \$ 1.70 |

| Tax Impact Associated With Supplemental Information | Three Months Ended | | | Twelve Months Ended | |
|--|---|---|---|---|---|
| | January 26, 2014 Q4 2014 (Unaudited) | October 27, 2013 Q3 2014 (Unaudited) | January 27, 2013 Q4 2013 (Unaudited) | January 26, 2014 Q4 2014 (Unaudited) | January 27, 2013 Q4 2013 (Unaudited) |
| Adjustments to GAAP net income: | | | | | |
| Stock-based compensation expense | \$ 893 | \$ 1,293 | \$ 235 | 5,985 | \$ 5,120 |
| Acquisition related fair value adjustments | (13) | 111 | 1,221 | 734 | 7,794 |
| Transaction and integration related expenses | 208 | 202 | 545 | 887 | 4,746 |
| Environmental monitoring and remediation reserves | - | - | 596 | - | 1,303 |
| Intangible amortization and impairments | 1,405 | 1,871 | 2,035 | 7,768 | 5,217 |
| Release of prior accrued taxes on foreign earnings | - | - | - | - | 23,443 |
| Restructuring charges | 1,865 | - | - | 1,865 | - |
| Impairment charges | 9,432 | - | - | 9,432 | - |
| Goodwill impairment | - | - | - | - | - |
| Valuation allowance | (53,191) | - | - | (53,191) | - |
| Write off of deferred financing costs and refinancing fees | - | - | - | 3,202 | - |
| Effect of enacted tax rate changes | - | - | - | - | 3,044 |
| Total of associated tax effect | (39,400) | \$ 3,477 | \$ 4,632 | \$ (23,318) | \$ 50,667 |

| Free Cash Flow: | Three Months Ended | | |
|---------------------------|---|---|---|
| | January 26, 2014 Q4 2014 (Unaudited) | October 27, 2013 Q3 2014 (Unaudited) | January 27, 2013 Q4 2013 (Unaudited) |
| Cash Flow from Operations | \$ 30,598 | \$ 28,939 | 35,189 |
| Net Capital Expenditure | (6,411) | (7,185) | (5,151) |
| Free Cash Flow: | \$ 24,187 | \$ 21,754 | \$ 30,038 |

Q1 FY15 Earnings Per Share Guidance
GAAP to Non-GAAP Reconciliation (net of tax)

| | <u>Low</u> | <u>High</u> |
|--|------------|-------------|
| GAAP EPS | \$ 0.10 | \$ 0.14 |
| Stock based compensation expense | 0.08 | 0.08 |
| Transaction and integration related expenses | 0.01 | 0.01 |
| Amortization of acquired intangibles | 0.09 | 0.09 |
| Non-GAAP EPS | \$ 0.28 | \$ 0.32 |

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

| Exhibit No. | Description |
|--------------------|--|
| 99.1 | Transcript of conference call on March 5, 2014 discussing financial results for the three months and year ended January 26, 2014. (This Exhibit 99.1 is being furnished and shall not be deemed filed as set forth in Item 2.02 hereof.) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 7, 2014

SEMTECH CORPORATION

By:

/s/ Emeka Chukwu
Emeka Chukwu
Chief Financial Officer