

DSP GROUP INC /DE/
Form 10-Q
May 10, 2013
Table of Contents

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 March 31, 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 1-35256

DSP GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

94-2683643
(I.R.S. employer
identification number)

2580 North First Street, Suite 460

San Jose, California
(Address of Principal Executive Offices)

95131
(Zip Code)

Registrant's telephone number, including area code: (408) 986-4300

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 (§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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
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 May 3, 2013, there were 22,001,181 shares of Common Stock (\$.001 par value per share) outstanding.

Table of Contents

INDEX

DSP GROUP, INC.

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	2
Item 1. <u>Financial Statements (Unaudited)</u>	2
<u>Condensed consolidated balance sheets</u>	
<u>March 31, 2013 and December 31, 2012</u>	2
<u>Condensed consolidated statements of income</u>	
<u>Three months ended March 31, 2013 and 2012</u>	4
<u>Condensed consolidated statements of comprehensive income (loss)</u>	
<u>Three months ended March 31, 2013 and 2012</u>	5
<u>Condensed consolidated statements of cash flows</u>	
<u>Three months ended March 31, 2013 and 2012</u>	6
<u>Condensed consolidated statements of stockholders' equity</u>	
<u>Three months ended March 31, 2013 and 2012</u>	7
<u>Notes to condensed consolidated financial statements</u>	
<u>March 31, 2013</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
<u>PART II. OTHER INFORMATION</u>	31
Item 1. <u>Legal Proceedings</u>	31
Item 1A. <u>Risk Factors</u>	31
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 3. <u>Defaults Upon Senior Securities</u>	48
Item 4. <u>Mine Safety Disclosure</u>	48
Item 5. <u>Other Information</u>	48
Item 6. <u>Exhibits</u>	48
<u>SIGNATURES</u>	50

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****DSP GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands, except share and per share data)

	March 31, 2013 Unaudited	December 31, 2012 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,225	\$ 21,684
Restricted deposit	87	121
Marketable securities and short-term deposits	17,727	20,201
Trade receivables	24,500	20,403
Deferred income taxes	104	101
Other accounts receivable and prepaid expenses	3,429	3,656
Inventories	14,081	12,916
TOTAL CURRENT ASSETS	79,153	79,082
PROPERTY AND EQUIPMENT, NET	3,508	3,706
LONG-TERM ASSETS:		
Long-term marketable securities	82,872	78,333
Long-term prepaid expenses and lease deposits	189	208
Severance pay fund	10,117	10,197
Intangible assets, net	7,960	8,380
Goodwill	5,276	5,276
	106,414	102,394
TOTAL ASSETS	\$ 189,075	\$ 185,182

Note: The balance sheet at December 31, 2012 has been derived from the audited financial statements on that date.

See notes to condensed consolidated financial statements.

Table of Contents**DSP GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands, except share and per share data)

	March 31, 2013 Unaudited	December 31, 2012 Audited
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 14,999	\$ 14,027
Accrued compensation and benefits	7,515	7,545
Income tax accruals and payables	1,776	1,894
Accrued expenses and other accounts payable	6,280	6,514
Total current liabilities	30,570	29,980
LONG-TERM LIABILITIES:		
Deferred income taxes	1,473	1,569
Accrued severance pay	10,357	10,436
Accrued pensions	949	970
Total long-term liabilities	12,779	12,975
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Capital stock:		
Preferred stock, \$ 0.001 par value -		
Authorized shares: 5,000,000 at March 31, 2013 and December 31, 2012; Issued and outstanding shares:		
none at March 31, 2013 and December 31, 2012		
Common stock, \$ 0.001 par value -		
Authorized shares: 50,000,000 shares at March 31, 2013 and December 31, 2012;		
Issued and outstanding shares: 21,952,650 and 21,673,779 shares at March 31, 2013 and December 31, 2012,		
respectively	22	22
Additional paid-in capital	347,378	346,335
Treasury stock	(122,985)	(125,724)
Accumulated other comprehensive loss	1,190	988
Accumulated deficit	(79,879)	(79,394)
Total stockholders equity	145,726	142,227
Total liabilities and stockholders equity	\$ 189,075	\$ 185,182

Note: The balance sheet at December 31, 2012 has been derived from the audited financial statements on that date.

See notes to condensed consolidated financial statements.

Table of Contents**DSP GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(U.S. dollars in thousands, except per share amounts)

	Three months ended March 31,	
	2013	2012
Revenues	\$ 39,650	\$ 43,504
Cost of revenues (1)	23,944	27,526
Gross profit	15,706	15,978
Operating expenses:		
Research and development (2)	9,151	11,976
Sales and marketing (3)	3,051	4,034
General and administrative (4)	2,622	3,028
Intangible assets amortization	418	593
Total operating expenses	15,242	19,631
Operating income (loss)	464	(3,653)
Financial income, net	570	480
Income (loss) before taxes on income	1,034	(3,173)
Taxes on income (income tax benefit)	(138)	89
Net income (loss)	\$ 1,172	\$ (3,262)
Net earnings (loss) per share:		
Basic	\$ 0.05	\$ (0.14)
Diluted	\$ 0.05	\$ (0.14)
Weighted average number of shares used in per share computations of net income (loss):		
Basic	21,897	22,550
Diluted	22,246	22,550

- (1) Includes equity-based compensation expense in the amount of \$63 and \$110 for the three months ended March 31, 2013 and 2012, respectively.
- (2) Includes equity-based compensation expense in the amount of \$468 and \$771 for the three months ended March 31, 2013 and 2012, respectively.
- (3) Includes equity-based compensation expense in the amount of \$135 and \$251 for the three months ended March 31, 2013 and 2012, respectively.
- (4) Includes equity-based compensation expense in the amount of \$377 and \$354 for the three months ended March 31, 2013 and 2012, respectively.

See notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(U.S. dollars in thousands)

	Three month Ended March 31,	
	2013	2012
Net income (loss):	\$ 1,172	\$ (3,262)
Other comprehensive income:		
Available-for-sale securities:		
Changes in unrealized gains	363	1,167
Reclassification adjustments for gains included in net income (loss)	(163)	(71)
Net change	200	1,096
Cash flow hedges:		
Changes in unrealized gains	176	523
Reclassification adjustments for (gains) losses included in net income (loss)	(141)	39
Net change	35	562
Change in unrealized components of defined benefit plans:		
Amortization of actuarial loss and prior service benefit	3	
Net change	3	
Foreign currency translation adjustments, net	(36)	22
Other comprehensive income	202	1,680
Comprehensive income (loss)	\$ 1,374	\$ (1,582)

Table of Contents**DSP GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(U.S. dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
Net cash used in operating activities	\$ (327)	\$ (526)
Investing activities		
Purchases of marketable securities	(15,911)	(8,627)
Purchases of deposits		(27)
Proceeds from maturity of marketable securities	6,056	5,930
Proceeds from maturity of deposits		3,000
Proceeds from sales of marketable securities	7,937	5,068
Purchases of property and equipment	(446)	(281)
Net cash (used in) provided by investing activities	(2,364)	5,063
Financial activities		
Purchase of treasury stock		(3,968)
Issuance of common stock and treasury stock upon exercise of stock options		237