

POWER ONE INC  
Form 10-Q  
May 10, 2013

Use these links to rapidly review the document

[Table of Contents](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**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**

**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 001-34782**

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**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

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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):

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 May 6, 2013, 122,526,681 shares of the Registrant's \$0.001 par value common stock were outstanding.

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Table of Contents

**POWER-ONE, INC.  
INDEX**

	<b>PAGE</b>
<u>PART I FINANCIAL INFORMATION (Unaudited)</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Consolidated Condensed Balance Sheets March 31, 2013 and December 30, 2012</u>	<u>1</u>
<u>Consolidated Condensed Statements of Operations for the Three Months Ended March 31, 2013 and April 1, 2012</u>	<u>2</u>
<u>Consolidated Condensed Statements of Comprehensive (Loss) Income for the Three Months Ended March 31, 2013 and April 1, 2012</u>	<u>3</u>
<u>Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 31, 2013 and April 1, 2012</u>	<u>4</u>
<u>Notes to Consolidated Condensed Financial Statements</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>24</u>
<u>Item 4. Controls and Procedures</u>	<u>25</u>
<u>PART II OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>27</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 5. Other Information</u>	<u>28</u>
<u>Item 6. Exhibits</u>	<u>29</u>
<u>SIGNATURES</u>	<u>30</u>



Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****POWER-ONE, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS****(In thousands, except share and per share data, unaudited)**

	<b>March 31, 2013</b>	<b>December 30, 2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 255,465	\$ 230,524
Investments in fixed-income securities	34,614	35,242
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$10,996 at March 31, 2013 and \$9,186 at December 30, 2012	193,978	205,556
Other	12,113	16,124
Inventories	149,423	160,234
Prepaid expenses and other current assets	19,331	18,787
Total current assets	664,924	666,467
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$97,193 at March 31, 2013; \$93,179 at December 30, 2012	100,097	101,946
INTANGIBLE ASSETS, net	15,031	15,549
OTHER ASSETS	15,052	14,970
<b>TOTAL</b>	<b>\$ 795,104</b>	<b>\$ 798,932</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 138,070	\$ 131,078
Income tax payable	6,516	3,600
Other accrued expenses	75,658	73,380
Total current liabilities	220,244	208,058
DEFERRED REVENUE	29,591	29,874
WARRANTIES, less current portion	34,064	31,748
OTHER LONG-TERM LIABILITIES	12,333	12,319
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Series C junior participating convertible preferred stock, par value \$0.001; liquidation preference \$1,000 per share; 36,900 shares authorized; 36,375 shares outstanding and convertible into 26,944,444 shares of common stock at March 31, 2013 and December 30, 2012	36,326	36,326
Common stock, par value \$0.001; 300,000,000 shares authorized; 122,104,943 and 121,890,871 shares issued and outstanding at March 31, 2013 and December 30, 2012	122	122
Additional paid-in capital	665,336	661,395
Accumulated other comprehensive income	1,469	16,310
Accumulated deficit	(204,381)	(197,220)
Total stockholders' equity	498,872	516,933
<b>TOTAL</b>	<b>\$ 795,104</b>	<b>\$ 798,932</b>

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The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

Table of Contents**POWER-ONE, INC.****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS****(In thousands, except share and per share data, unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31, 2013</b>	<b>April 1, 2012</b>
NET SALES	\$ 204,607	\$ 225,749
COST OF GOODS SOLD	166,519	170,765
<b>GROSS PROFIT</b>	<b>38,088</b>	<b>54,984</b>
EXPENSES:		
Selling, general and administrative	25,759	24,247
Research, development and engineering	11,608	11,741
Amortization of intangible assets	415	413
Litigation	4,267	82
<b>Total expenses</b>	<b>42,049</b>	<b>36,483</b>
(LOSS) INCOME FROM OPERATIONS	(3,961)	18,501
INTEREST AND OTHER INCOME (EXPENSE):		
Interest income	400	202
Interest expense	(882)	(239)
Other income (expense), net	1,176	(8,951)
<b>Total interest and other income (expense), net</b>	<b>694</b>	<b>(8,988)</b>
(LOSS) INCOME BEFORE INCOME TAXES	(3,267)	9,513
PROVISION FOR INCOME TAXES	3,753	4,231
(LOSS) INCOME BEFORE EQUITY IN LOSS OF JOINT VENTURE	(7,020)	5,282
EQUITY IN LOSSES OF JOINT VENTURE	(141)	(303)
NET (LOSS) INCOME	\$ (7,161)	\$ 4,979
BASIC (LOSS) EARNINGS PER SHARE	\$ (0.06)	\$ 0.03
DILUTED (LOSS) EARNINGS PER SHARE	\$ (0.06)	\$ 0.03
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	122,076,053	121,894,294
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	122,076,053	156,231,086

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

Table of Contents**POWER-ONE, INC.****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(In thousands, unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31, 2013</b>	<b>April 1, 2012</b>
NET (LOSS) INCOME	\$ (7,161)	\$ 4,979
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustment(a)	(14,841)	11,676
COMPREHENSIVE (LOSS) INCOME	\$ (22,002)	\$ 16,655

(a)

Foreign currency translation adjustments exclude the related tax effects in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") section 220-10-45 "Comprehensive Income Overall Other Presentation." As of March 31, 2013, the Company has not provided for U.S. income taxes on its undistributed earnings of foreign subsidiaries since the Company considers these earnings to be reinvested indefinitely.

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.



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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>April 1,</b>
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (7,161)	\$ 4,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,859	5,411
Undistributed loss of joint venture	141	303
Amortization of bond premium on fixed-income securities	147	
Amortization of debt issuance costs	81	
Stock-based compensation	3,741	3,358
Foreign exchange (gain) loss	(297)	2,318
Net loss on disposal of property and equipment	30	112
Deferred income taxes	(81)	(934)
Changes in operating assets and liabilities:		
Accounts receivable, net	8,615	30,234
Inventories	8,897	4,186
Prepaid expenses and other current assets	(1,256)	1,335
Accounts payable	9,312	(33,079)
Income tax payable	3,113	2,302
Other accrued expenses	3,025	(1,450)
Other liabilities	3,950	3,499
Net cash provided by operating activities	38,116	22,574
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(4,475)	(9,359)
Other assets	153	769
Net cash used in investing activities	(4,322)	(8,590)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of debt issuance costs	(614)	
Issuance of common stock	222	12
Cash paid to satisfy share-related employee tax withholding obligations	(22)	(294)
Net cash used in financing activities	(414)	(282)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(8,439)	5,413
INCREASE IN CASH AND CASH EQUIVALENTS	24,941	19,115
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	230,524	204,881
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 255,465	\$ 223,996
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 240	\$ 7
Income taxes	\$ 518	\$ 3,327

During the quarters ended March 31, 2013 and April 1, 2012, an additional \$5.1 and \$2.0 million of property and equipment had been purchased but not yet paid, respectively.

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The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

Table of Contents

**POWER-ONE, INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1 BASIS OF PRESENTATION**

These statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 30, 2012 filed February 28, 2013, as amended by our Amendment No. 1 to Annual Report on Form 10-K/A filed April 29, 2013. The balance sheet at December 30, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The operating results and cash flows for the three-month period ended March 31, 2013 are not necessarily indicative of the results that will be achieved for the full fiscal year ending December 29, 2013 or for future periods.

The accompanying consolidated condensed financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of financial position and the results of operations for the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, indefinite-lived intangible asset impairment, depreciation and amortization, sales returns and discounts, warranty costs, uncertain tax positions and the recoverability of deferred tax assets, stock-based compensation, contingencies and the fair value of assets and liabilities disclosed. Due to the inherent uncertainty involved in making estimates, actual results and outcomes may differ from management's estimates and assumptions. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regulations.

The Company's reporting period coincides with the 52- to 53-week period ending on the Sunday closest to December 31, and its fiscal quarters are the 13- to 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. The three-month periods ended March 31, 2013 and April 1, 2012 were 13-week periods.

**NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES**

*None*

**NOTE 3 INVESTMENTS**

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