

MONOLITHIC POWER SYSTEMS INC
Form 10-Q
August 01, 2007
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 June 30, 2007

OR

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

Commission file number: 000-51026

Monolithic Power Systems, Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware
(State or other jurisdiction of

77-0466789
(I.R.S. Employer

incorporation or organization)

Identification Number)

6409 Guadalupe Mines Road, San Jose, CA 95120 (408) 826-0600

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE AND TELEPHONE NUMBER)

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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 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

There were 31,932,219 shares of the registrant's common stock issued and outstanding as of July 16, 2007.

Table of Contents

MONOLITHIC POWER SYSTEMS, INC.

TABLE OF CONTENTS		PAGE
<u>PART I. FINANCIAL INFORMATION</u>		3
ITEM 1.	<u>FINANCIAL STATEMENTS</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEET</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</u>	5
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	22
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	22
<u>PART II. OTHER INFORMATION</u>		23
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	23
ITEM 1A.	<u>RISK FACTORS</u>	24
ITEM 4.	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	33
ITEM 5	<u>OTHER INFORMATION</u>	33
ITEM 6.	<u>EXHIBITS</u>	34

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MONOLITHIC POWER SYSTEMS, INC.****CONDENSED CONSOLIDATED BALANCE SHEET**

(in thousands, except par value)

(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,312	\$ 50,816
Short-term investments	24,003	27,674
Accounts receivable, net of allowances of \$227 in 2007 and 2006	8,017	9,156
Inventories	11,940	6,738
Deferred income tax asset - current		1,658
Prepaid expenses and other current assets	3,457	1,118
Total current assets	115,729	97,160
Property and equipment, net	12,753	11,358
Deferred income tax asset - long term	1,218	
Other assets	508	500
Restricted assets	8,241	8,309
Total assets	\$ 138,449	\$ 117,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,162	\$ 5,909
Accrued compensation and related benefits	4,942	4,792
Accrued income tax payable		684
Accrued liabilities	19,182	8,737
Total current liabilities	32,286	20,122
Deferred rent	370	484
Non-current income tax liability	4,550	
Long term liabilities	102	1,769
Total liabilities	\$ 37,308	\$ 22,375
Stockholders' equity:		
Common stock, \$0.001 per share par value, aggregating \$32 and \$30 as of June 30, 2007 and December 31, 2006, respectively; shares authorized: 150,000; shares issued and outstanding: 31,901 and 30,369 as of June 30, 2007 and December 31, 2006, respectively	126,103	113,532

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Deferred stock compensation	(111)	(487)
Accumulated other comprehensive loss	(59)	(198)
Accumulated deficit	(24,792)	(17,895)
Total stockholders' equity	101,141	94,952
Total liabilities and stockholders' equity	\$ 138,449	\$ 117,327

See accompanying notes to condensed consolidated financial statements.

Table of Contents**MONOLITHIC POWER SYSTEMS, INC.****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

(in thousands, except per share amounts)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenue	\$ 30,833	\$ 26,601	\$ 55,329	\$ 51,364
Cost of revenue*	11,248	9,833	20,211	19,206
Gross profit	19,585	16,768	35,118	32,158
Operating expenses:				
Research and development*	6,428	5,427	12,360	10,493
Selling, general and administrative*	7,119	6,699	13,316	14,126
Lease abandonment	(496)		(496)	
Patent litigation settlement	9,800		9,800	
Patent litigation expense	4,028	2,821	6,875	6,885
Total operating expenses	26,879	14,947	41,855	31,504
Income (loss) from operations	(7,294)	1,821	(6,737)	654
Other income (expense):				
Interest and other income	1,169	626	2,176	1,225
Interest and other expense	(22)	(110)	(29)	(180)
Total other income, net	1,147	516	2,147	1,045
Income (loss) before income taxes	(6,147)	2,337	(4,590)	1,699
Income tax provision	227	1,278	1,722	1,047
Net income (loss)	(6,374)	1,059	(6,312)	652
Basic net income (loss) per common share	\$ (0.20)	\$ 0.04	\$ (0.20)	\$ 0.02
Diluted net income (loss) per common share	\$ (0.20)	\$ 0.03	\$ (0.20)	\$ 0.02
Weighted average shares used in basic net income (loss) per common share	31,382	29,412	30,929	29,126
Dilutive effect of stock options		4,192		4,227
Weighted average shares used in diluted net income (loss) per common share	31,382	33,604	30,929	33,353

* Stock-based compensation has been included in the following line items:

Cost of revenue	\$ 113	\$ 147	\$ 224	\$ 288
Research and development	952	1,346	2,053	2,709
Selling, general and administrative	1,440	1,596	2,548	2,774

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Total	\$ 2,505	\$ 3,089	\$ 4,825	\$ 5,771
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**MONOLITHIC POWER SYSTEMS, INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands)

(Unaudited)

	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ (6,312)	\$ 652
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,872	1,264
Loss on disposal of property and equipment	97	53
Deferred tax assets	441	182
Deferred tax liabilities		(132)
Tax benefit from stock option transactions	2,014	1,125
Excess tax benefit from stock option transactions	(1,719)	(2,706)
Stock-based compensation	4,825	5,772
Changes in assets and liabilities:		
Accounts receivable	1,139	(329)
Inventories	(5,201)	(2,913)
Prepaid expenses and other assets	(2,378)	(1,189)
Accounts payable	2,088	(709)
Accrued and long-term liabilities	8,802	(1,239)
Accrued income taxes payable and noncurrent tax liabilities	2,989	(2,916)
Accrued compensation and related benefits	143	183
Deferred rent	(98)	46
Net cash provided by (used in) operating activities	8,702	(2,856)
Cash flows from investing activities:		
Property and equipment purchases	(3,076)	(5,790)
Proceeds from sale of property and equipment	27	1
Purchase of short-term investments	(30,473)	(17,809)
Proceeds from sale of short-term investments	34,144	17,273
Changes in restricted assets		(561)
Net cash provided by (used in) investing activities	622	(6,886)
Cash flows from financing activities:		
Proceeds from issuance of common stock	5,591	3,100
Proceeds from employee stock purchase plan	811	
Excess tax benefit from stock option transactions	1,719	2,706
Repayment of stockholder note receivable		398
Net cash provided by financing activities	8,121	6,204
Effect of change in exchange rates on cash	51	49
Net increase (decrease) in cash and cash equivalents	17,496	(3,489)
Cash and cash equivalents, beginning of period	50,816	25,091