

QUICKLOGIC CORPORATION

Form 10-Q

November 05, 2013

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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 September 29, 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: 000-22671

QUICKLOGIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
1277 ORLEANS DRIVE SUNNYVALE, CA 94089
(Address of principal executive offices, including Zip Code)
(408) 990-4000
(Registrant's telephone number, including area code)

77-0188504
(I.R.S. Employer
Identification No.)

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 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, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes No

As of October 31, 2013, the registrant had outstanding 44,788,297 shares of common stock, par value \$0.001.

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PART I. Financial Information

Item 1. Financial Statements

QUICKLOGIC CORPORATION

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Revenue	\$9,066	\$3,657	\$17,209	\$11,858
Cost of revenue	6,037	1,916	11,210	6,313
Gross profit	3,029	1,741	5,999	5,545
Operating expenses:				
Research and development	2,052	1,865	5,902	7,119
Selling, general and administrative	3,207	2,658	8,648	8,104
Restructuring costs (credits)	(32)	—	181	—
Income (loss) from operations	(2,198)	(2,782)	(8,732)	(9,678)
Gain on sale of TowerJazz Semiconductor Ltd. Shares	—	—	181	—
Interest expense	(8)	(12)	(37)	(49)
Interest income and other expense, net	(74)	18	(130)	(45)
Income (loss) before income taxes	(2,280)	(2,776)	(8,718)	(9,772)
Provision for (benefit from) income taxes	(18)	22	369	(17)
Net income (loss)	\$(2,262)	\$(2,798)	\$(9,087)	\$(9,755)
Net Income (loss) per share:				
Basic	\$(0.05)	\$(0.06)	\$(0.20)	\$(0.24)
Diluted	\$(0.05)	\$(0.06)	\$(0.20)	\$(0.24)
Weighted average shares:				
Basic	44,761	44,122	44,640	40,975
Diluted	44,761	44,122	44,640	40,975

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Net income (loss)	\$ (2,262)	\$ (2,798)	\$ (9,087)	\$ (9,755)
Other comprehensive gain (loss), net of tax:				
Unrealized gain (loss) on available-for-sale investments	—	(52)	11	(89)
Total comprehensive income (loss)	\$ (2,262)	\$ (2,850)	\$ (9,076)	\$ (9,844)

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
 CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
 (in thousands, except par value amount)

	September 29, 2013	December 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,871	\$22,578
Short-term investment in TowerJazz Semiconductor Ltd.	—	345
Accounts receivable, net of allowances for doubtful accounts of \$0 and \$20, respectively	4,995	1,242
Inventories	2,851	3,028
Other current assets	672	986
Total current assets	23,389	28,179
Property and equipment, net	3,007	2,659
Other assets	238	186
TOTAL ASSETS	\$26,634	\$31,024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	\$ 1,000	\$—
Trade payables	3,087	1,965
Accrued liabilities	2,606	1,214
Current portion of capital lease obligations	194	160
Total current liabilities	6,887	3,339
Long-term liabilities:		
Capital lease obligations, less current portion	—	266
Other long-term liabilities	114	141
Total liabilities	7,001	3,746
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 100,000 shares authorized; 44,780 and 44,506 shares issued and outstanding, respectively	45	45
Additional paid-in capital	205,075	204,797
Accumulated other comprehensive income (loss)	—	(11)
Accumulated deficit	(185,487)	(177,553)
Total stockholders' equity	19,633	27,278
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$26,634	\$31,024

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

	Nine Months Ended	
	September 29, 2013	September 30, 2012
Cash flows from operating activities:		
Net income (loss)	\$(9,087)	\$(9,755)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	952	907
Stock-based compensation	1,067	1,419
Write-down of inventories	379	428
Gain on sale of TowerJazz Semiconductor Ltd. Shares	(181)	—
(Gains) losses on disposal of equipment	27	—
Write-off of equipment	3	25
Tax effect on other comprehensive income	273	(63)
Allowance for doubtful accounts	(20)	10
Changes in operating assets and liabilities:		
Accounts receivable	(3,733)	240
Inventories	(202)	820
Other assets	350	(68)
Trade payables	862	(1,296)
Accrued liabilities	1,396	714
Other long-term liabilities	(27)	(1)
Net cash provided by (used for) operating activities	(7,941)	(6,620)
Cash flows from investing activities:		
Capital expenditures for property and equipment	(1,207)	(814)
Proceeds from sale of TowerJazz Semiconductor Ltd. Shares	265	—
Net cash provided by (used for) investing activities	(942)	(814)
Cash flows from financing activities:		
Payment of debt and capital lease obligations	(182)	(311)
Stock issuance cost	(70)	—
Proceeds from debt obligations	1,000	—
Net proceeds from issuance of common stock	428	12,490
Net cash provided by (used for) financing activities	1,176	12,179
Net increase (decrease) in cash and cash equivalents	(7,707)	4,745
Cash and cash equivalents at beginning of period	22,578	20,203
Cash and cash equivalents at end of period	\$14,871	\$24,948
Supplemental schedule of non-cash investing and financing activities :		
Capital lease obligation to finance capital expenditures	\$194	\$721
Purchase of equipment included in accounts payable	\$123	\$1

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements.

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QUICKLOGIC CORPORATION

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — The Company and Basis of Presentation

QuickLogic Corporation, referenced herein as QuickLogic or the Company, was founded in 1988 and reincorporated in Delaware in 1999. The Company develops and markets low power programmable solutions that enable customers to add differentiated features and capabilities to their mobile, consumer and industrial products. The Company is a fabless semiconductor company that designs, markets and supports Customer Specific Standard Products, or CSSPs, Field Programmable Gate Arrays, or FPGAs, application solutions, associated design software and programming hardware.

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of management, these statements have been prepared in accordance with generally accepted accounting principles, or GAAP, and include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of results for the interim periods presented. The Company recommends that these consolidated financial statements be read in conjunction with the Company's Form 10-K for the year ended December 30, 2012. Operating results for the nine months ended September 29, 2013 are not necessarily indicative of the results that may be expected for the full year.

QuickLogic's fiscal year ends on the Sunday closest to December 31. QuickLogic's third fiscal quarter for 2013 and for 2012 ended on Sunday, September 29, 2013 and September 30, 2012, respectively.

Liquidity

The Company has financed its operations and capital investments through sales of common stock, capital and operating leases, a revolving line of credit and cash flows from operations. As of September 29, 2013, the Company's principal sources of liquidity consisted of cash and cash equivalents of \$14.9 million and of \$5.0 million in available credit under a revolving line of credit facility with Silicon Valley Bank, which expires June 27, 2014.

The Company currently uses its cash to fund its capital expenditures and operating losses. Based on past performance and current expectations, the Company believes that its existing cash and cash equivalents, together with available financial resources from the revolving line of credit with Silicon Valley Bank will be sufficient to fund its operations and capital expenditures and provide adequate working capital for the next twelve months.

Over the longer term, based on current expectations regarding revenue growth and margin improvement, the Company believes that its existing cash and cash equivalents, together with financial resources from its revolving line of credit with Silicon Valley Bank and its ability to sell additional shares to capital markets will be sufficient to satisfy its operations and capital expenditures.

The Company's liquidity is affected by many factors including, among others: the level of revenue and gross profit as a result of the cyclical nature of the semiconductor industry; the conversion of design opportunities into revenue; market acceptance of existing and new products including CSSPs based on its ArcticLink® and PolarPro® solution platforms; fluctuations in revenue as a result of product end-of-life; fluctuations in revenue as a result of the stage in the product life cycle of our customers' products; costs of securing access to and availability of adequate manufacturing capacity; levels of inventories; wafer purchase commitments; customer credit terms; the amount and timing of research and development expenditures; the timing of new product introductions; production volumes; product quality; sales and marketing efforts; the value and liquidity of our investment portfolio; changes in operating assets and liabilities; the ability to obtain or renew debt financing and to remain in compliance with the terms of existing credit facilities; the

ability to raise funds from the sale of equity in the Company; the issuance and exercise of stock options and participation in the Company's employee stock purchase plan; and other factors related to the uncertainties of the industry and global economics. Accordingly, there can be no assurance that events in the future will not require the Company to seek additional capital or, if so required, that such capital will be available on terms acceptable to the Company.

Principles of Consolidation

The consolidated financial statements include the accounts of QuickLogic and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

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NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Foreign Currency

The functional currency of the Company's non-U.S. operations is the U.S. dollar. Accordingly, all monetary assets and liabilities of these foreign operations are translated into U.S. dollars at current period-end exchange rates and non-monetary assets and related elements of expense are translated using historical exchange rates. Income and expense elements are translated to U.S. dollars using the average exchange rates in effect during the period. Gains and losses from the foreign currency transactions of these subsidiaries are recorded as interest income and other, net in the statement of operations.

Uses of Estimates