

Edgar Filing: SEMTECH CORP - Form 8-K

SEMTECH CORP  
Form 8-K  
August 27, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report: August 27, 2002

Semtech Corporation  
(Exact name of registrant as specified in its charter)

|   |                             |                                      |
|---|-----------------------------|--------------------------------------|
| Delaware  | 1-6395                      | 95-2119684                           |
| (State or other jurisdiction of<br>incorporation or organization) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

|  |            |
|--|------------|
| 200 Flynn Road                           |            |
| Camarillo, California                    | 93012-8790 |
| (Address of Principal Executive Offices) | (Zip Code) |

(805) 498-2111  
(Registrant's telephone number, including area code)

Item 5. Other Events.  
-----

The Registrant issued the press release, filed as Exhibit 99.1 hereto, on August 27, 2002.

Item 7. Financial Statements and Exhibits.  
-----

| Exhibit Number | Description of Document                                |
|----------------|--|
| 99.1           | Press Release of the Registrant dated August 27, 2002. |

INDEX TO EXHIBITS

| Exhibit Number | Description of Document                                |
|----------------|--|
| 99.1           | Press Release of the Registrant dated August 27, 2002. |

Exhibit 99.1

SEMTECH ANNOUNCES SECOND QUARTER RESULTS  
Net Sales Up 29 Percent Over Prior Year  
Net Income of \$11.1 million or 14 Cents Per Diluted Share

1:30 p.m. PT  
Tuesday, August 27, 2002

CAMARILLO, CALIFORNIA, August 27, 2002 - SEMTECH CORPORATION (Nasdaq: SMTc) today announced results for its fiscal year 2003 second quarter that ended July 28, 2002.

Sales for the second quarter of fiscal year 2003 were \$52.1 million, an increase of 29 percent compared to sales of \$40.5 million in the second quarter of fiscal year 2002. On a sequential basis, net sales were up 6 percent from the first quarter.

Net income for the second quarter of fiscal year 2003 was \$11.1 million or 14 cents per diluted share. For the second quarter of fiscal year 2002, the Company reported a net loss of \$5.1 million or negative 7 cents per diluted share.

Gross margin was 58 percent and net after-tax profit margin was 21 percent in the second quarter of fiscal year 2003, both up sequentially and year-over-year. Results for the quarter included the recognition of \$415,000 from the sale of inventory, which had been written off in the second quarter of last year.

Sales for the six months ended July 28, 2002 were \$101.3 million, up slightly from \$101.1 million in the prior year period. Net income for the first six months of fiscal year 2003 was \$21.1 million or 27 cents per diluted share, which compared to net income of \$8.1 million or 11 cents per diluted share in the first six months of fiscal year 2002.

Included in the prior year second quarter results were one-time costs of \$15.8 million for the write-down of inventory, headcount reductions, and a Superfund settlement. The prior year six-month results include these items and additional one-time costs of \$1.0 million associated with headcount reductions.

Orders for the second quarter of this year increased 41 percent over the previous year, but decreased 14 percent from the first quarter. Order rates in the first quarter of this year were especially strong, as many customers with low inventory positions put backlog in place for expected improvements in the end-markets.

Second quarter orders were impacted by several factors beyond the traditional seasonality in the computer and cell phone markets. These factors included: consumer demand dampened by declines in the financial markets; vendor consolidation issues due to a recent computer industry merger; and a decline in power consumption in desktop computers, although power needs are expected to increase in future models. Test and Measurement Product order rates were very robust in the quarter, and for the first time in six quarters exceeded shipments for the product line.

Shipments of Portable Power, Telecom Power and Test and Measurement Products grew sequentially in the second quarter by greater than 30 percent.

## Edgar Filing: SEMTECH CORP - Form 8-K

Portable and Telecom Power Management sales were benefited by market-share gains, while sales of Test and Measurement Products reflected strength in certain segments of the ATE market. Protection Product sales grew sequentially 29 percent due to strong beginning backlog. Sales of SETS and Human Interface Products grew in the quarter, while Desktop Power Management Products declined as compared to the first quarter.

The Company's cash and investments, net of debt, increased by approximately \$27.0 million in the second quarter. Inventory turns improved and accounts receivables days of sales, calculated on a quarterly basis, declined to approximately 37 days.

### Design Wins and New Products

Proprietary products represented more than 80 percent of total shipments in the second quarter, a reflection of design and marketing efforts. The Company reported a substantial increase in design activity compared to the prior quarter. A total of 461 new design wins were recorded that are expected to generate \$67.0 million of annual business. Included in these results were 43 line-item design wins for notebook computers and 84 line-item design wins for cell phones, with a combined \$30.0 million annual potential.

Nineteen new product families were introduced in the quarter, including MicroBuddy(TM), a patented series of programmable support ICs for micro-controllers. Semtech already has sale leads on more than 200 sockets and a number of concepts for derivative products in this area. Two design wins for MicroBuddy(TM) have been recorded so far, including a \$500,000 design win for a medical application. The Company believes the market opportunity for this product is outstanding.

### Outlook

Semtech estimates that net sales for the third quarter of fiscal year 2003 will be in the range of flat to down 5 percent as compared to the second quarter. On a year-over-year basis, third quarter sales are forecasted to be higher by 13 to 19 percent. Gross margin is expected to remain flat with the second quarter and earnings are forecasted to be approximately 14 cents per diluted share, based on current forecasts.

August orders were substantially lower than the Company's historical seasonal trend, especially out of the computer market. Turns orders (orders received and shipped in the same quarter) of approximately 47 percent are required to achieve the mid-point of the revenue forecast. This rate is higher than previous quarters due to low visibility and more just-in-time production arrangements with customers.

### Buyback Update

During the second quarter of fiscal year 2003, Semtech spent \$30.7 million to buyback its convertible subordinated notes in the open market. The Company recognized an approximate \$600,000 gain on the repurchase of notes during the quarter. An additional \$50.0 million was authorized for buybacks in June 2002, raising the total amount of the current buyback program to \$150.0 million. Since January 2001, the Company has bought back \$106.5 million in stock and notes under this program.

### About Semtech

Semtech Corporation is a leading supplier of analog and mixed-signal semiconductors used in a wide range of computer, industrial and communication applications.

### Safe Harbor Provision

Statements contained in this release that are not historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including projections

## Edgar Filing: SEMTECH CORP - Form 8-K

and forecasts for revenue and gross margin, involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include worldwide economic conditions, the timing and duration of semiconductor market upturns or downturns, demand for personal computers, cellular phones and automated test equipment, demand for semiconductor devices in general, competitors' actions, relations with large strategic customers and suppliers, manufacturing costs and yields, demand for the Company's products in particular, and risks associated with the businesses of major customers. Other factors that may cause actual results to differ from the forward-looking statements contained in this press release and that may affect the Company's prospects in general are described in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise forward-looking statements to reflect subsequent events or changed assumptions or circumstances.

### Investor Relations Contact

John Baumann, Treasurer, Telephone: 805-480-2010

### SEMTECH CORPORATION CONSOLIDATED STATEMENTS OF INCOME (In thousands - except per share amounts)

|  | Three Months Ended              |                                 |          |
|--|---------------------------------|---------------------------------|----------|
|  | (Unaudited)<br>July 28,<br>2002 | (Unaudited)<br>July 29,<br>2001 | (Un<br>J |
| Net sales                                | \$ 52,071                       | \$ 40,532                       |          |
| Cost of sales                            | 21,739                          | 32,537                          |          |
|  | 30,332                          | 7,995                           |          |
| Gross profit                             |                                 |                                 |          |
| Operating costs and expenses:            |                                 |                                 |          |
| Selling, general and administrative      | 8,816                           | 8,008                           |          |
| Product development and engineering      | 8,273                           | 7,319                           |          |
| One-time costs                           | -                               | 1,776                           |          |
|  | 17,089                          | 17,103                          |          |
| Total operating costs and expenses       |                                 |                                 |          |
| Operating income (loss)                  | 13,243                          | (9,108)                         |          |
| Interest and other income, net           | 1,540                           | 1,799                           |          |
|  | 14,783                          | (7,309)                         |          |
| Income (loss) before provision for taxes |                                 |                                 |          |
| Provision (benefit) for taxes            | 3,696                           | (2,232)                         |          |
|  | \$ 11,087                       | \$ (5,077)                      |          |
| Net income (loss)                        |                                 |                                 |          |
| Earnings (loss) per share:               |                                 |                                 |          |
| Basic                                    | \$ 0.15                         | \$ (0.07)                       |          |
| Diluted                                  | \$ 0.14                         | \$ (0.07)                       |          |

Edgar Filing: SEMTECH CORP - Form 8-K

|                                    |        |        |
|------------------------------------|--------|--------|
| Weighted average number of shares: |        |        |
| Basic                              | 73,348 | 69,446 |
| Diluted                            | 78,627 | 69,446 |

SEMTECH CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

|   | July 28,<br>2002<br>-----<br>(Unaudited) | January 27,<br>2002<br>----- |
|---|--|------------------------------|
| ASSETS                                      |  |                              |
| Current assets:                             |  |                              |
| Cash and cash equivalents                   | \$88,007                                 | \$46,300                     |
| Temporary investments                       | 315,425                                  | 324,870                      |
| Receivables, less allowances                | 21,011                                   | 19,181                       |
| Inventories                                 | 20,916                                   | 22,728                       |
| Income taxes refundable                     | -  | 2,019                        |
| Deferred income taxes                       | 11,658                                   | 11,786                       |
| Other current assets                        | 3,820                                    | 3,372                        |
|   | -----                                    | -----                        |
| Total current assets                        | 460,837                                  | 430,256                      |
| Property, plant and equipment, net          | 52,514                                   | 51,516                       |
| Investments, maturities in excess of 1 year | 134,051                                  | 172,332                      |
| Deferred income taxes                       | 25,965                                   | 27,659                       |
| Other assets                                | 6,850                                    | 8,638                        |
|   | -----                                    | -----                        |
| total assets                                | \$ 680,217<br>=====                      | \$ 690,401<br>=====          |
| liabilities and sTOCKholders' equity        |  |                              |
| Current liabilities:                        |  |                              |
| Accounts payable                            | \$ 6,705                                 | \$ 7,341                     |
| Accrued liabilities                         | 14,287                                   | 16,845                       |
| Deferred revenue                            | 2,037                                    | 1,936                        |
| Income taxes payable                        | 2,705                                    | 1,099                        |
| Other current liabilities                   | 68                                       | 65                           |
|   | -----                                    | -----                        |
| Total current liabilities                   | 25,802                                   | 27,286                       |
| Long-term debt                              | 322,170                                  | 364,320                      |
| Total Stockholders' equity                  | 332,245                                  | 298,795                      |
|   | -----                                    | -----                        |
| Total Liabilities and Stockholders' Equity  | \$ 680,217<br>=====                      | \$ 690,401<br>=====          |

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: August 27, 2002

SEMTECH CORPORATON

Edgar Filing: SEMTECH CORP - Form 8-K

By: /s/ David G. Franz, Jr.

-----  
David G. Franz, Jr.  
Chief Financial Officer