

KLA TENCOR CORP  
Form 10-Q  
October 28, 2011  
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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 30, 2011

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 000-09992

KLA-Tencor Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

04-2564110

(I.R.S. Employer  
Identification No.)

One Technology Drive, Milpitas, California

(Address of Principal Executive Offices)

(408) 875-3000

(Registrant's telephone number, including area code)

95035

(Zip Code)

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 website, 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 October 13, 2011, there were 166,664,427 shares of the registrant's Common Stock, \$0.001 par value, outstanding.

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## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS  
KLA-TENCOR CORPORATION  
Condensed Consolidated Balance Sheets  
(Unaudited)

| (In thousands)                                      | September 30,<br>2011 | June 30,<br>2011 |
|---|-----------------------|------------------|
| <b>ASSETS</b>                                       |                       |                  |
| Current assets:                                     |                       |                  |
| Cash and cash equivalents                           | \$745,947             | \$711,329        |
| Marketable securities                               | 1,354,204             | 1,327,206        |
| Accounts receivable, net                            | 461,640               | 583,270          |
| Inventories, net                                    | 612,603               | 575,730          |
| Deferred income taxes                               | 290,372               | 331,397          |
| Other current assets                                | 132,153               | 147,078          |
| Total current assets                                | 3,596,919             | 3,676,010        |
| Land, property and equipment, net                   | 264,279               | 257,358          |
| Goodwill  | 327,971               | 328,156          |
| Purchased intangibles, net                          | 77,949                | 85,902           |
| Other non-current assets                            | 298,199               | 328,095          |
| Total assets  | \$4,565,317           | \$4,675,521      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>         |                       |                  |
| Current liabilities:                                |                       |                  |
| Accounts payable                                    | \$114,575             | \$142,945        |
| Deferred system profit                              | 136,122               | 192,338          |
| Unearned revenue                                    | 47,311                | 44,264           |
| Other current liabilities                           | 436,211               | 499,314          |
| Total current liabilities                           | 734,219               | 878,861          |
| Non-current liabilities:                            |                       |                  |
| Long-term debt                                      | 746,425               | 746,290          |
| Income tax payable                                  | 37,978                | 78,337           |
| Unearned revenue                                    | 38,857                | 34,905           |
| Other non-current liabilities                       | 73,243                | 76,235           |
| Total liabilities                                   | 1,630,722             | 1,814,628        |
| Commitments and contingencies (Note 12 and Note 13) |                       |                  |
| Stockholders' equity:                               |                       |                  |
| Common stock and capital in excess of par value     | 1,031,157             | 1,010,659        |
| Retained earnings                                   | 1,910,403             | 1,852,633        |
| Accumulated other comprehensive income (loss)       | (6,965)               | (2,399)          |
| Total stockholders' equity                          | 2,934,595             | 2,860,893        |
| Total liabilities and stockholders' equity          | \$4,565,317           | \$4,675,521      |

See accompanying notes to condensed consolidated financial statements (unaudited).

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KLA-TENCOR CORPORATION  
 Condensed Consolidated Statements of Operations  
 (Unaudited)

| (In thousands, except per share data) | Three months ended |           |
|---------------------------------------|--------------------|-----------|
|                                       | September 30,      |           |
|                                       | 2011               | 2010      |
| Revenues:                             |                    |           |
| Product                               | \$650,256          | \$550,609 |
| Service                               | 146,220            | 131,733   |
| Total revenues                        | 796,476            | 682,342   |
| Costs and operating expenses:         |                    |           |
| Costs of revenues                     | 340,349            | 263,969   |
| Engineering, research and development | 107,762            | 94,720    |
| Selling, general and administrative   | 94,076             | 88,037    |
| Total costs and operating expenses    | 542,187            | 446,726   |
| Income from operations                | 254,289            | 235,616   |
| Interest income and other, net        | 6,866              | 1,225     |
| Interest expense                      | 13,893             | 13,529    |
| Income before income taxes            | 247,262            | 223,312   |
| Provision for income taxes            | 55,267             | 69,116    |
| Net income                            | \$191,995          | \$154,196 |
| Net income per share:                 |                    |           |
| Basic                                 | \$1.15             | \$0.92    |
| Diluted                               | \$1.13             | \$0.91    |
| Cash dividends declared per share     | \$0.35             | \$0.25    |
| Weighted average number of shares:    |                    |           |
| Basic                                 | 166,684            | 167,187   |
| Diluted                               | 169,835            | 169,839   |

See accompanying notes to condensed consolidated financial statements (unaudited).

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KLA-TENCOR CORPORATION  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)

Cash flows from operating activities:

| Three months ended |      |
|--------------------|------|
| September 30,      |      |
| 2011               | 2010 |