

POWER ONE INC  
Form 10-Q  
August 08, 2008

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**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 June 29, 2008

**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 0-29454

**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 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 <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
		(Do not check if a smaller reporting company)	

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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 August 1, 2008, 87,766,168 shares of the Registrant's \$0.001 par value common stock were outstanding.

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**POWER-ONE, INC.  
INDEX**

	<b>PAGE</b>
<b>PART I FINANCIAL INFORMATION (UNAUDITED)</b>	
Item 1. Consolidated Condensed Financial Statements	2
Consolidated Condensed Statements of Operations for the Three and Six Months Ended June 29, 2008 and July 1, 2007	2
Consolidated Condensed Balance Sheets June 29, 2008 and December 30, 2007	3
Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 29, 2008 and July 1, 2007	4
Consolidated Condensed Statements of Comprehensive Loss for the Three and Six Months Ended June 29, 2008 and July 1, 2007	6
Notes to Consolidated Condensed Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	33
Item 4. Controls and Procedures	34
 <b>PART II OTHER INFORMATION</b>	
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	38
Item 4. Submission of Matters to a Vote of Security Holders	39
Item 6. Exhibits	40
 <b>SIGNATURES</b>	 41

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## PART I FINANCIAL INFORMATION

## Item 1 Consolidated Condensed Financial Statements

## POWER-ONE, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
NET SALES	\$ 149,273	\$ 123,771	\$ 267,031	\$ 247,792
COST OF GOODS SOLD	118,692	98,021	215,124	198,125
<b>GROSS PROFIT</b>	<b>30,581</b>	<b>25,750</b>	<b>51,907</b>	<b>49,667</b>
EXPENSES:				
Selling, general and administrative	18,834	18,931	39,048	39,445
Engineering and quality assurance	11,796	12,552	23,824	25,113
Amortization of intangible assets	540	972	1,408	2,381
Restructuring costs		2,018		2,018
Asset impairment		734		734
Total expenses	31,170	35,207	64,280	69,691
<b>LOSS FROM OPERATIONS</b>	<b>(589)</b>	<b>(9,457)</b>	<b>(12,373)</b>	<b>(20,024)</b>
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	165	271	383	671
Interest expense	(3,149)	(1,764)	(5,120)	(3,417)
Other income (expense), net	(968)	539	(2,686)	832
Total interest and other income (expense), net	(3,952)	(954)	(7,423)	(1,914)
<b>LOSS BEFORE INCOME TAX</b>	<b>(4,541)</b>	<b>(10,411)</b>	<b>(19,796)</b>	<b>(21,938)</b>
PROVISION (BENEFIT) FOR INCOME TAXES	240	665	(200)	1,448
<b>LOSS BEFORE EQUITY IN EARNINGS OF JOINT VENTURE</b>	<b>(4,781)</b>	<b>(11,076)</b>	<b>(19,596)</b>	<b>(23,386)</b>
EQUITY IN EARNINGS OF JOINT VENTURE, net of tax	872		2,048	
<b>NET LOSS</b>	<b>\$ (3,909)</b>	<b>\$ (11,076)</b>	<b>\$ (17,548)</b>	<b>\$ (23,386)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.04)</b>	<b>\$ (0.13)</b>	<b>\$ (0.20)</b>	<b>\$ (0.27)</b>
<b>BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<b>87,554</b>	<b>86,989</b>	<b>87,473</b>	<b>86,855</b>

See notes to consolidated condensed financial statements.

## POWER-ONE, INC.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	June 29, 2008	December 30, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 37,738	\$ 28,364
Investments		7,477
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$5,708 at June 29, 2008; \$5,454 at December 30, 2007	146,719	129,984
Other	5,621	5,634
Inventories	120,389	105,930
Prepaid expenses and other current assets	10,794	7,487
 Total current assets	 321,261	 284,876
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$89,929 at June 29, 2008; \$77,750 at December 30, 2007	63,814	62,809
GOODWILL	62,929	59,487
OTHER INTANGIBLE ASSETS, net	22,360	23,261
OTHER ASSETS	7,172	1,163
 <b>TOTAL</b>	 <b>\$ 477,536</b>	 <b>\$ 431,596</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank credit facilities and notes payable	\$ 31,916	\$ 21,843
Accounts payable	120,719	107,751
Restructuring reserve	4,783	6,726
Long-term debt, current portion	1,480	2,338
Other accrued expenses and current liabilities	29,227	24,410
 Total current liabilities	 188,125	 163,068
INDEBTEDNESS TO RELATED PARTIES		50,000
LONG-TERM DEBT, net of current portion	75,594	550
OTHER LIABILITIES	16,785	18,552
COMMITMENTS AND CONTINGENCIES		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.001; 300,000 shares authorized; 87,766 and 87,356 shares issued and outstanding at June 29, 2008 and December 30, 2007, respectively	88	87
Additional paid-in capital	617,047	615,040
Accumulated other comprehensive income	53,673	40,527
Accumulated deficit	(473,776)	(456,228)
 Total stockholders' equity	 197,032	 199,426
 <b>TOTAL</b>	 <b>\$ 477,536</b>	 <b>\$ 431,596</b>

See notes to consolidated condensed financial statements

## POWER-ONE, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Six Months Ended	
	June 29, 2008	July 1, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(17,548)	\$(23,386)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,079	10,582
Undistributed earnings of joint venture	(872)	
Asset impairment charge		734
Investment write-off	243	
Stock-based compensation	1,367	1,360
Exchange gain (loss)	1,067	(89)
Deferred income taxes	(1,350)	81
Write-off of unamortized debt issue costs	908	
Net loss on disposal of property and equipment	364	39
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,464)	6,282
Inventories	(8,139)	(105)
Prepaid expenses and other current assets	(3,830)	151
Accounts payable	6,809	5,394
Other accrued expenses	3,014	56
Restructuring reserve	(2,070)	143
Other liabilities	(42)	1,002
Net cash provided by (used in) operating activities	(19,464)	2,244
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of available-for-sale investments	(115)	(88)
Proceeds from available-for-sale investments	7,590	1,488
Acquisition of property & equipment	(5,762)	(4,405)
Proceeds from sale of property and equipment	15	21
Other assets	(117)	30
Investment in Power Electronics Group, net of purchase price adjustment		1,386
Net cash provided by (used in) investing activities	1,611	(1,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings on bank credit facilities, net	8,297	913
Repayments of borrowings on notes payable	(239)	(210)
Bank overdraft		(628)
Proceeds from issuance of long-term debt, net of debt issue costs	70,309	
Repayments of borrowings on long-term debt	(1,822)	(1,072)
Repayments of indebtedness to related parties	(50,000)	
Issuance of common stock		544
Net cash provided by (used in) financing activities	26,545	(453)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	682	(1,002)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,374	(779)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,364	34,422

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CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 37,738 \$ 33,643

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$ 3,618	\$ 2,294
Income taxes	\$ 243	\$ 775

See notes to consolidated condensed financial statements.

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

On October 23, 2006, the Company completed its acquisition of certain assets and liabilities of Magnetek, Inc. and all of the outstanding common stock of Magnetek, SpA, a subsidiary of Magnetek, Inc. (collectively the "Power Electronics Group"). In the first quarter of 2007, the Company received \$1.8 million of cash from Magnetek, Inc. for adjustments made to the preliminary purchase price based on the closing balance sheet of the Power Electronics Group. Additionally, the company incurred \$0.4 million of acquisition costs during the six months ended July 1, 2007 for a net cash inflow of \$1.4 million in the first six months of 2007.

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