

KULICKE & SOFFA INDUSTRIES INC

Form 10-Q

July 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2014

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 No. 0-121

KULICKE AND SOFFA INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation)

23-1498399

(IRS Employer  
Identification No.)

23A Serangoon North, Avenue 5, #01-01 K&S Corporate Headquarters, Singapore 554369

(Address of principal executive offices and Zip Code)

(215) 784-7518

(Registrant's telephone number, including area 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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, 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. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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(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 July 25, 2014, there were 76,663,182 shares of the Registrant's Common Stock, no par value, outstanding.

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## PART I. - FINANCIAL INFORMATION

## Item 1. – FINANCIAL STATEMENTS

## KULICKE AND SOFFA INDUSTRIES, INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands)

Unaudited

	As of June 28, 2014	September 28, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$597,457	\$521,788
Short-term investments	2,600	3,252
Accounts and notes receivable, net of allowance for doubtful accounts of \$239 and \$504 respectively	154,410	162,714
Inventories, net	53,922	38,135
Prepaid expenses and other current assets	19,153	24,012
Deferred income taxes	4,063	4,487
Total current assets	831,605	754,388
Property, plant and equipment, net	52,231	47,541
Goodwill	41,546	41,546
Intangible assets	7,221	11,209
Other assets	7,260	8,310
<b>TOTAL ASSETS</b>	<b>\$939,863</b>	<b>\$862,994</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$66,222	\$37,030
Accrued expenses and other current liabilities	41,406	38,868
Income taxes payable	4,076	1,504
Total current liabilities	111,704	77,402
Financing obligation	19,618	19,396
Deferred income taxes	40,115	40,709
Other liabilities	8,957	8,822
<b>TOTAL LIABILITIES</b>	<b>\$180,394</b>	<b>\$146,329</b>
Commitments and contingent liabilities (Note 12)		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, without par value:		
Authorized 5,000 shares; issued - none	\$—	\$—
Common stock, no par value:		
Authorized 200,000 shares; issued 81,590 and 80,237 respectively;		
outstanding 76,636 and 75,283 shares, respectively	476,547	467,525
Treasury stock, at cost, 4,954 shares	(46,356)	(46,356)
Accumulated income	325,607	291,878
Accumulated other comprehensive income	3,671	3,618
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$759,469</b>	<b>\$716,665</b>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$939,863	\$862,994
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The accompanying notes are an integral part of these consolidated financial statements.

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KULICKE AND SOFFA INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

Unaudited

	Three months ended		Nine months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net revenue	\$180,517	\$141,181	\$373,836	\$361,330
Cost of sales	95,360	75,267	192,642	195,071
Gross profit	85,157	65,914	181,194	166,259
Selling, general and administrative	30,093	31,264	81,430	88,754
Research and development	23,480	15,783	60,277	46,243
Operating expenses	53,573	47,047	141,707	134,997
Income from operations	31,584	18,867	39,487	31,262
Interest income	256	267	878	629
Interest expense	(316)	—	(732)	(1)
Income from operations before income taxes	31,524	19,134	39,633	31,890
Provision for income taxes	4,908	247	5,904	2,063
Net income	\$26,616	\$18,887	\$33,729	\$29,827
Net income per share:				
Basic	\$0.35	\$0.25	\$0.44	\$0.40
Diluted	\$0.34	\$0.25	\$0.44	\$0.39
Weighted average shares outstanding:				
Basic	76,596	75,231	76,308	75,083
Diluted	77,605	76,473	77,086	76,204

The accompanying notes are an integral part of these consolidated financial statements.

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KULICKE AND SOFFA INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in thousands)  
Unaudited

	Three months ended		Nine months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net income	\$26,616	\$18,887	\$33,729	\$29,827
Other comprehensive income / (loss):				
Foreign currency translation adjustment	304	186	(10	) 784
Unrecognized actuarial gain / (loss), Switzerland pension plan, net of tax	3	41	(9	) 4
	307	227	(19	) 788
Derivatives designated as hedging instruments:				
Unrealized gain on derivative instruments, net of tax	95	—	95	—
Reclassification adjustment for gain on derivative instruments recognized, net of tax	(23	) —	(23	) —
Net increase from derivatives designated as hedging instruments, net of tax	72	—	72	—
Total other comprehensive income	379	227	53	788
Comprehensive income	\$26,995	\$19,114	\$33,782	\$30,615

The accompanying notes are an integral part of these consolidated financial statements.

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KULICKE AND SOFFA INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Unaudited

	Nine months ended	
	June 28, 2014	June 29, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$33,729	\$29,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,995	14,302
Equity-based compensation and employee benefits	8,817	8,088
Reversal of excess tax benefits from stock-based compensation arrangements	825	—
Adjustment for doubtful accounts	(265	) (111
Adjustment for inventory valuation	2,109	(205
Deferred taxes	(552	) 190
Loss (Gain) on disposal of property, plant and equipment	46	(147
Changes in operating assets and liabilities:		
Accounts and notes receivable	8,599	42,728
Inventory	(17,893	) 10,869
Prepaid expenses and other current assets	4,115	40
Accounts payable, accrued expenses and other current liabilities	30,293	(31,296
Income taxes payable	2,566	(5,454
Other, net	1,805	(651
Net cash provided by operating activities	84,189	68,180
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(9,294	) (5,957
Proceeds from sales of property, plant and equipment	—	5,310
Purchase of short-term investments	(9,173	) —
Maturity of short-term investments	9,795	