

GSI TECHNOLOGY INC
Form 425
October 27, 2014

Filed by GigOptix, Inc.
Pursuant to Rule 425 under the
Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934
Subject Company: GSI Technology, Inc.
Commission File No: 001-33387

GigOptix Reports Third Quarter Fiscal Year 2014 Financial Results

Q3 FY14 revenue of \$8.5 million, up 16 percent year-over-year and 6 percent sequentially and above the high end of the guidance of \$8.4 million provided on July 28, 2014

Industrial revenue up 46 percent and datacom revenue up 80 percent year-over-year

Telecom revenue up 49 percent sequentially

Q3 FY14 non-GAAP net income of \$730,000, the highest in the Company's history, and compares with a non-GAAP net loss of \$681,000 in Q3 FY 13 and non-GAAP net income of \$269,000 in Q2 FY 14

Non-GAAP net income of \$0.02 per diluted share compares with a non-GAAP net loss per share of (\$0.03) in Q3 FY13 and non-GAAP net income of \$0.01 per diluted share in Q2 FY14

Q3 FY14 Adjusted EBITDA of \$1.4 million, the highest in the Company's history. This compares with \$0.1 million in Q3 FY13 and \$1.0 million in Q2 FY14

Cash and cash equivalents as of September 28, 2014 were \$18.1 million with no debt

Q4 FY14 revenue expected to be in the range of \$8.5 million to \$8.8 million

SAN JOSE, Calif. October 27, 2014 GigOptix, Inc. (NYSE MKT: GIG), a leading supplier of advanced high speed semiconductor components for use in long-haul, metro, Cloud connectivity, data centers, consumer electronics links and interactive applications, through optical and wireless communications networks, today announced financial results for its third quarter fiscal year 2014, which ended September 28, 2014.

Third Quarter Fiscal 2014 GAAP Results

Total revenue in the third quarter of fiscal 2014 was \$8.5 million. This compares with revenue of \$7.3 million in the third quarter of fiscal 2013, and \$8.0 million in the second quarter of fiscal 2014.

Gross margin was 59 percent in the third quarter of fiscal 2014, compared with 59 percent in the third quarter of fiscal 2013, and 57 percent in the second quarter of fiscal 2014.

Net loss in the third quarter of fiscal 2014 was \$0.8 million, or a net loss of (\$0.02) per share. This compares with net income of \$3.5 million, which included a one-time net gain of \$5.7 million resulting from a litigation settlement, or net income of \$0.16 per diluted share, in the third quarter of fiscal 2013, and a net loss of \$2.0 million, or a net loss of (\$0.06) per share, in the second quarter of fiscal 2014. With the exception of the third quarter of fiscal 2013, the third quarter of fiscal 2014 represents the best GAAP bottom line performance in the Company's history.

Cash and cash equivalents as of September 28, 2014 were \$18.1 million, and the Company had no debt outstanding. This compares with cash and cash equivalents of \$18.5 million, at June 29, 2014.

Third Quarter Fiscal 2014 Non-GAAP Results¹

Non-GAAP net income for the third quarter of fiscal 2014 was \$0.7 million, the highest ever in the Company's history, resulting in earnings of \$0.02 per diluted share. The third quarter non-GAAP net income excludes approximately \$1.1 million in stock-based compensation, \$36,000 in restructuring, a \$0.1 million loss on the unconsolidated affiliate, BrPhotonics, and \$0.2 million in amortization of intangible assets. This compares with a non-GAAP net loss of \$0.7 million, or (\$0.03) per share in the third quarter of fiscal 2013 and non-GAAP net income of \$0.3 million, or \$0.01 per diluted share in the second quarter of fiscal 2014.

Non-GAAP gross margin was 61 percent, compared with 62 percent in the third quarter of fiscal 2013 and 59 percent in the second quarter of fiscal 2014.

Adjusted EBITDA for the third quarter of fiscal 2014 was \$1.4 million, the highest ever in the Company's history. This compares with Adjusted EBITDA of \$0.1 million in the third quarter of fiscal 2013, and Adjusted EBITDA of \$1.0 million in the second quarter of fiscal 2014.

Our record non-GAAP net income and Adjusted EBITDA, and improving GAAP results, in the third quarter validate that the actions we have taken over the last 24 months to drive revenue growth, reduce and control expenses, and improve shareholder value are delivering tangible results, said Dr. Avi Katz, Chairman and Chief Executive Officer of GigOptix, Inc. In particular, in Q3 our telecom-related revenue grew almost 50 percent from the second quarter, driven by the initial sales of our telecom 100Gbps coherent linear products, and continuous solid shipments of our 40Gbps datacom product, which grew about 80 percent year-over-year. We expect sales of these product families will continue to increase as we ramp capacity over the next year. In addition, Industrial, or ASIC, revenue was up nearly 30 percent from the second quarter reflecting a stable product line, which is influenced by the increased demand as the industry continues to move to new geometries.

As previously disclosed, on August 19, 2014 GigOptix announced a proposal to acquire GSI Technology (Nasdaq: GSIT) for a per share consideration of \$6.50. GigOptix is still awaiting GSI Technology's board of director's willingness to engage with GigOptix in a discussion of the merits of this proposal.

Financial Outlook

We produced record setting results in the third quarter due primarily to our third straight quarter of revenue growth and improving non-GAAP gross margin performance, said Curt Sacks, Senior Vice President and Chief Financial Officer of GigOptix, Inc. As we continue to see solid demand for our key products we believe our fourth quarter revenue will be in the range of \$8.5 million to \$8.8 million.

Financial Results Webcast / Conference Call

GigOptix will host a conference call and webcast with investors today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to discuss its third quarter fiscal 2014 financial results and business outlook. Investors and other interested parties may access the call by dialing (719) 325-2484. No passcode is needed for the

live call. The replay dial-in number is (858) 384-5517, and the passcode is 1875302. Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investor Relations section of the Company's website at <http://www.gigoptix.com>.

¹ **Non-GAAP Measures** - GigOptix reports revenue, gross margin, operating expense, operating income and net loss on a Generally Accepted Accounting Principles (GAAP) and non-GAAP basis. In addition, it reports Adjusted EBITDA. These non-GAAP measures are provided to enhance investors' overall understanding of GigOptix financial performance. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. A reconciliation of these GAAP to non-GAAP measurements and Adjusted EBITDA for the nine months ended September 28, 2014 and September 29, 2013 can be found in the Reconciliation of GAAP to Non-GAAP Financial Information table attached to this press release.

About GigOptix, Inc.

GigOptix is a leading fabless supplier of high speed semiconductor components that enable end-to-end information streaming over optical and wireless networks. The products address long-haul and metro telecom applications as well as emerging high-growth opportunities for Cloud and data centers connectivity, and interactive applications for consumer electronics. GigOptix offers a unique broad portfolio of drivers and TIAs for 40Gbps, 100Gbps and 400Gbps fiber-optic telecommunications and data-communications networks, and high performance MMIC solutions that enable next generation wireless microwave systems up to 90GHz. GigOptix also offers a wide range of digital and mixed-signal ASIC solutions in a wide range of technology geometries from 28nm to 0.6um, and enables a complete product life cycle support from swift introduction of new product to extension of legacy products.

Important Information

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This material is not a substitute for the prospectus/proxy statement GigOptix and GSI Technology would file with the Securities and Exchange Commission (SEC) if an agreement between GigOptix and GSI Technology is reached or any other documents which GigOptix may send to stockholders in connection with the proposed transaction. Investors are urged to read any such documents, when available, because they will contain important information. Such documents would be available free of charge at the SEC's website (www.sec.gov) or by directing a request to GigOptix, 130 Baytech Drive, San Jose, California 95134, Attention: Curt Sacks or by e-mail at csacks@gigoptix.com.

GigOptix and its directors, executive officers and other employees may be deemed to be participants in any solicitation of GigOptix or GSI Technology stockholders in connection with the proposed transaction. Information about GigOptix' directors and executive officers is available in GigOptix' Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on Mar. 18, 2014, and its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on Oct. 3, 2014. Additional information about the interests of potential participants will be included in any proxy statement filed in connection with the proposed transaction.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the bringing of products to market with full documentation. Such statements contain words such as will, and expect, or the negative thereof or comparable terminology, and include (without limitation) statements regarding the possibility of a transaction with GSI Technology and its relationship with the Company, growth, opportunities, continued traction, contracts, improvements and our statements under the heading Financial Outlook. Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. These risks include, but are not limited to: ability to consummate a transaction with GSI Technology, including, GigOptix and GSI Technology may not enter into any definitive agreement with respect to the proposed transaction or required regulatory approvals may not be obtained in a timely manner, if at all; if a transaction is consummated, the ability to realize the anticipated benefits of the proposed transaction, the ability to successfully integrate the two companies, or that the integration of GSI Technology's operations with GigOptix may be materially delayed or may be more costly or difficult than expected; that the proposed transaction would materially increase leverage and debt service obligations, including the effect of certain covenants in any new borrowing agreements, the ability to extend product offerings into new areas or products, the ability to commercialize licensed technology, unexpected occurrences that deter the full documentation and bring to market plan for products that were developed this year and last year, trends and fluctuations in the industry, changes in demand and purchasing volume of customers, unpredictability of suppliers, our ability to control our costs of goods sold, our ability to attract and retain qualified personnel, the ability to move product sales to production levels, the ability to compete for client design-in opportunities, the ability to cross-sell to new clients and to diversify, the success of product sales in new markets or of recently acquired or produced product offerings, including bundled product solutions, the amount of cost savings, the ability to improve productivity, and to do so in an efficient manner, the ability to pursue and attract other merger and acquisition opportunities, our ability to enforce intellectual property rights, the ability to maintain and continue relationships with government agencies, and the ability of the partners to BrPhotonics to work together in furtherance of its operational objectives. Additional factors that could cause actual results to differ are discussed under the heading Risk Factors and in other sections of the Company's filings with the SEC, and in the Company's other current and periodic reports filed or furnished from time to time with the SEC. All forward-looking statements in this press release are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement.

Investors Darrow Associates, Inc.

Jim Fanucchi, (408) 404-5400

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(TABLES TO FOLLOW)

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GIGOPTIX, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

| | September 28, 2014 | December 31, 2013 | Net Change | |
|--|-------------------------------|------------------------------|-------------------|-------------|
| | | | \$ | % |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 18,119 | \$ 20,377 | \$ (2,258) | (11%) |
| Accounts receivable, net | 7,707 | 5,021 | 2,686 | 53% |
| Inventories | 4,021 | 4,617 | (596) | (13%) |
| Prepaid and other current assets | 674 | 434 | 240 | 55% |
| Total current assets | 30,521 | 30,449 | 72 | 0% |
| Property and equipment, net | 2,047 | 2,999 | (952) | (32%) |
| Intangible assets, net | 2,617 | 3,287 | (670) | (20%) |
| Goodwill | 10,306 | 9,860 | 446 | 5% |
| Restricted cash | 130 | 284 | (154) | (54%) |
| Other assets | 116 | 183 | (67) | (37%) |
| Total assets | \$ 45,737 | \$ 47,062 | \$ (1,325) | (3%) |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 1,860 | \$ 831 | \$ 1,029 | 124% |
| Accrued compensation | 1,079 | 1,170 | (91) | (8%) |
| Other current liabilities | 2,247 | 2,746 | (499) | (18%) |
| Total current liabilities | 5,186 | 4,747 | 439 | 9% |
| Pension liabilities | 131 | 140 | (9) | (6%) |
| Other long-term liabilities | 569 | 595 | (26) | (4%) |
| Total liabilities | 5,886 | 5,482 | 404 | 7% |
| Stockholders Equity | | | | |
| Common stock | 32 | 32 | | 0% |
| Additional paid-in capital | 142,757 | 139,710 | 3,047 | 2% |
| Treasury stock, at cost; 701,754 shares as of September 28, 2014 and December 31, 2013, respectively | (2,209) | (2,209) | | 0% |
| Accumulated other comprehensive income | 441 | 490 | (49) | (10%) |
| Accumulated deficit | (101,170) | (96,443) | (4,727) | 5% |
| Total stockholders equity | 39,851 | 41,580 | (1,729) | (4%) |

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| | | | | | | |
|---|----|--------|----|--------|------------|------|
| Total liabilities and stockholders equity | \$ | 45,737 | \$ | 47,062 | \$ (1,325) | (3%) |
|---|----|--------|----|--------|------------|------|

GIGOPTIX, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

| | Three months ended | | | | Nine months ended | | | |
|---|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|
| | September 28, 2014 | | September 29, 2013 | | September 28, 2014 | | September 29, 2013 | |
| | \$ | % | \$ | % | \$ | % | \$ | % |
| Total revenue | \$ 8,484 | 100% | \$ 7,336 | 100% | \$ 23,907 | 100% | \$ 21,088 | 100% |
| Total cost of revenue | 3,482 | 41% | 2,985 | 41% | 10,095 | 42% | 8,199 | 39% |
| Gross profit | 5,002 | 59% | 4,351 | 59% | 13,812 | 58% | 12,889 | 61% |
| Research and development expense | 3,257 | 38% | 3,984 | 54% | 10,357 | 43% | 10,397 | 49% |
| Selling, general and administrative expense | 2,388 | 28% | 2,483 | 34% | 7,353 | 31% | 6,877 | 33% |
| Restructuring expense, net | 36 | 0% | | 0% | 343 | 1% | 950 | 5% |
| Special litigation-related benefit | | 0% | (5,673) | -77% | | 0% | (4,786) | -23% |
| Total operating expenses | 5,681 | 67% | 794 | 11% | 18,053 | 76% | 13,438 | 64% |
| Income (loss) from operations | (679) | -8% | 3,557 | 48% | (4,241) | -18% | (549) | -3% |
| Interest expense, net | (9) | 0% | (27) | 0% | (36) | 0% | (106) | -1% |
| Other income, net | 35 | 0% | 3 | 0% | 45 | 0% | 259 | 1% |
| Income (loss) before provision for income taxes | (653) | -8% | 3,533 | 48% | (4,232) | -18% | (396) | -2% |
| Provision for income taxes | 8 | 0% | 1 | 0% | 39 | 0% | 28 | 0% |
| Income (loss) from consolidated companies | (661) | -8% | 3,532 | 48% | (4,271) | -18% | (424) | -2% |
| Equity in earnings of unconsolidated affiliate | 125 | 1% | | 0% | 456 | 2% | | 0% |
| Net income (loss) | \$ (786) | -9% | \$ 3,532 | 48% | \$ (4,727) | -20% | \$ (424) | -2% |
| Basic net income (loss) per share | \$ (0.02) | | \$ 0.16 | | \$ (0.15) | | \$ (0.02) | |
| Diluted net income (loss) per share | \$ (0.02) | | \$ 0.16 | | \$ (0.15) | | \$ (0.02) | |
| Weighted average number of shares used in basic net | 31,866 | | 21,656 | | 31,636 | | 21,610 | |

income (loss) per share
calculation

Weighted average number of
shares used in diluted net
income (loss) per share
calculation

31,866

22,359

31,636

21,610

GIGOPTIX, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except per share amounts)****(Unaudited)**

| | Three months ended | | | | Nine months ended | | | |
|---|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|
| | September 28, 2014 | | September 29, 2013 | | September 28, 2014 | | September 29, 2013 | |
| | | % | | % | | % | | % |
| Total revenue | \$ 8,484 | 100% | \$ 7,336 | 100% | \$ 23,907 | 100% | \$ 21,088 | 100% |
| Total cost of revenue | 3,294 | 39% | 2,806 | 38% | 9,537 | 40% | 7,637 | 36% |
| Gross profit | 5,190 | 61% | 4,530 | 62% | 14,370 | 60% | 13,451 | 64% |
| Research and development expense | 2,979 | 35% | 3,616 | 49% | 9,432 | 39% | 9,475 | 45% |
| Selling, general and administrative expense | 1,499 | 18% | 1,570 | 21% | 4,573 | 19% | 4,551 | 22% |
| Total operating expenses | 4,478 | 53% | 5,186 | 71% | 14,005 | 59% | 14,026 | 67% |
| Income (loss) from operations | 712 | 8% | (656) | -9% | 365 | 2% | (575) | -3% |
| Interest expense, net | (9) | 0% | (27) | 0% | (36) | 0% | (106) | -1% |
| Other income (expense), net | 35 | 0% | 3 | 0% | 45 | 0% | 259 | 1% |
| Income (loss) before provision for income taxes | 738 | 9% | (680) | -9% | 374 | 2% | (422) | -2% |
| Provision for income taxes | 8 | 0% | 1 | 0% | 39 | 0% | 28 | 0% |
| Net income (loss) | \$ 730 | 9% | \$ (681) | -9% | \$ 335 | 1% | \$ (450) | -2% |
| Basic net income (loss) per share | \$ 0.02 | | \$ (0.03) | | \$ 0.01 | | \$ (0.02) | |
| Diluted net income (loss) per share | \$ 0.02 | | \$ (0.03) | | \$ 0.01 | | \$ (0.02) | |
| Weighted average number of shares used in basic net income (loss) per share calculation | 31,866 | | 21,656 | | 31,636 | | 21,610 | |
| Weighted average number of shares used in diluted net income (loss) per share calculation | 32,340 | | 21,656 | | 32,525 | | 21,610 | |

GIGOPTIX, INC.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(In thousands)

(Unaudited)

| | Three months ended, September 28, September 29, | | Nine months ended September 28, September 29, | |
|--|--|----------|--|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| GAAP Total cost of revenue | \$ 3,482 | \$ 2,985 | \$ 10,095 | \$ 8,199 |
| Stock-based compensation | (85) | (57) | (249) | (196) |
| Amortization of intangible assets | (103) | (122) | (309) | (366) |
| Special bonus | | | | |
| Non-GAAP Total cost of revenue | \$ 3,294 | \$ 2,806 | \$ 9,537 | \$ 7,637 |
| GAAP Gross profit | \$ 5,002 | \$ 4,351 | \$ 13,812 | \$ 12,889 |
| Stock-based compensation | 85 | 57 | 249 | 196 |
| Amortization of intangible assets | 103 | 122 | 309 | 366 |
| Special bonus | | | | |
| Non-GAAP Gross profit | \$ 5,190 | \$ 4,530 | \$ 14,370 | \$ 13,451 |
| GAAP - Operating expenses | \$ 5,681 | \$ 794 | \$ 18,053 | \$ 13,438 |
| Stock-based compensation | (983) | (690) | (2,937) | (2,397) |
| Amortization of intangible assets | (120) | (120) | (361) | (380) |
| Restructuring expense, net | (36) | | (343) | (950) |
| Special litigation-related expense | | 5,673 | | 4,786 |
| Special bonus | | (471) | (343) | (471) |
| Acquisition-related expense | (64) | | (64) | |
| Non-GAAP Operating expenses | \$ 4,478 | \$ 5,186 | \$ 14,005 | \$ 14,026 |
| GAAP Loss from operations | \$ (679) | \$ 3,557 | \$ (4,241) | \$ (549) |
| Stock-based compensation | 1,068 | 747 | 3,186 | 2,593 |
| Amortization of intangible assets | 223 | 242 | 670 | 746 |
| Restructuring expense, net | 36 | | 343 | 950 |
| Special litigation-related expense | | (5,673) | | (4,786) |
| Special bonus | | 471 | 343 | 471 |
| Acquisition-related expense | 64 | | 64 | |
| Non-GAAP Income (loss) from operations | \$ 712 | \$ (656) | \$ 365 | \$ (575) |
| GAAP - Net loss | \$ (786) | \$ 3,532 | \$ (4,727) | \$ (424) |
| Stock-based compensation | 1,068 | 747 | 3,186 | 2,593 |
| Amortization of intangible assets | 223 | 242 | 670 | 746 |

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| | | | | |
|--|----------|----------|------------|----------|
| Restructuring expense, net | 36 | | 343 | 950 |
| Special litigation-related expense | | (5,673) | | (4,786) |
| Special bonus | | 471 | 343 | 471 |
| Acquisition-related expense | 64 | | 64 | |
| Equity in net loss of unconsolidated affiliate | 125 | | 456 | |
| Non-GAAP Net Income (loss) | \$ 730 | \$ (681) | \$ 335 | \$ (450) |
| Adjusted EBITDA reconciliation: | | | | |
| Loss from operations | \$ (679) | \$ 3,557 | \$ (4,241) | \$ (549) |
| Restructuring expense, net | 36 | | 343 | 950 |
| Depreciation and amortization | 923 | 962 | 2,736 | 2,843 |
| Stock-based compensation | 1,068 | 747 | 3,186 | 2,593 |
| Special litigation-related expense | | (5,673) | | (4,786) |
| Special bonus | | 471 | 343 | 471 |
| Acquisition-related expense | 64 | | 64 | |
| Adjusted EBITDA | \$ 1,412 | \$ 64 | \$ 2,431 | \$ 1,522 |