

POWER ONE INC  
Form 10-Q  
May 07, 2009

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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 March 29, 2009**

**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**

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**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 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 (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

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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  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 May 1, 2009, 87,973,870 shares of the Registrant's \$0.001 par value common stock were outstanding.

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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	
	March 29, 2009	March 30, 2008
NET SALES	\$ 97,840	\$ 117,758
COST OF GOODS SOLD	83,975	96,432
<b>GROSS PROFIT</b>	<b>13,865</b>	<b>21,326</b>
EXPENSES:		
Selling, general and administrative	13,186	20,214
Engineering and quality assurance	7,508	12,028
Amortization of intangible assets	402	868
Restructuring costs	1,131	
Goodwill impairment	56,999	
Total expenses	79,226	33,110
<b>LOSS FROM OPERATIONS</b>	<b>(65,361)</b>	<b>(11,784)</b>
INTEREST AND OTHER INCOME (EXPENSE):		
Interest income	205	218
Interest expense	(2,125)	(1,971)
Gain on extinguishment of debt	3,100	
Other income (expense), net	2,014	(1,718)
Total interest and other income (expense), net	3,194	(3,471)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(62,167)</b>	<b>(15,255)</b>
<b>BENEFIT FOR INCOME TAXES</b>	<b>(852)</b>	<b>(440)</b>
<b>LOSS BEFORE EQUITY IN EARNINGS OF JOINT VENTURE</b>	<b>(61,315)</b>	<b>(14,815)</b>
<b>EQUITY IN EARNINGS OF JOINT VENTURE</b>	<b>141</b>	<b>1,176</b>
<b>NET LOSS</b>	<b>\$(61,174)</b>	<b>\$ (13,639)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.70)</b>	<b>\$ (0.16)</b>
<b>BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<b>87,865</b>	<b>87,393</b>

See notes to unaudited consolidated condensed financial statements.

## POWER-ONE, INC.

## CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	March 29, 2009	December 28, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 28,404	\$ 28,414
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$4,764 at March 29, 2009; \$5,331 at December 28, 2008	111,181	143,093
Other	5,901	2,698
Inventories	88,833	101,608
Deferred income taxes	3,203	2,723
Prepaid expenses and other current assets	7,994	8,314
 Total current assets	 245,516	 286,850
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$81,347 at March 29, 2009; \$81,169 at December 28, 2008	51,420	55,381
GOODWILL		59,027
OTHER INTANGIBLE ASSETS, net	19,496	20,284
OTHER ASSETS	7,135	7,417
 <b>TOTAL</b>	 <b>\$ 323,567</b>	 <b>\$ 428,959</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank credit facilities and notes payable	\$ 22,526	\$ 26,949
Accounts payable	79,161	100,658
Restructuring reserve	2,630	3,651
Long-term debt, current portion	199	472
Other accrued expenses	25,090	26,544
 Total current liabilities	 129,606	 158,274
DEFERRED INCOME TAXES	4,927	4,661
LONG-TERM DEBT	63,305	70,425
OTHER LIABILITIES	9,479	11,380
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.001; 300,000 shares authorized; 87,942 and 87,801 shares issued and outstanding at March 29, 2009 and December 28, 2008, respectively	88	88
Additional paid-in capital	618,822	618,255
Accumulated other comprehensive income	32,283	39,645
Accumulated deficit	(534,943)	(473,769)
 Total stockholders' equity	 116,250	 184,219
 <b>TOTAL</b>	 <b>\$ 323,567</b>	 <b>\$ 428,959</b>

See notes to unaudited consolidated condensed financial statements.

## POWER-ONE, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Three Months Ended	
	March 29, 2009	March 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(61,174)	\$(13,639)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,846	5,052
Undistributed earnings of joint venture	(141)	
Goodwill impairment	56,999	
Stock compensation	583	646
Exchange (gain) loss	(3,720)	958
Deferred income taxes	(281)	(698)
Net gain on debt extinguishment	(3,100)	
Net loss on disposal of property and equipment	17	1
Changes in operating assets and liabilities:		
Accounts receivable, net	25,104	14,101
Inventories	10,945	(7,400)
Prepaid expenses and other current assets	118	(767)
Accounts payable	(18,732)	(5,659)
Other accrued expenses	(577)	237
Restructuring reserve	(967)	(1,116)
Other liabilities	(1,785)	205
Net cash provided by (used) in operating activities	7,135	(8,079)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of available for sale investments		(45)
Proceeds from available for sale investments		1,803
Acquisition of property & equipment	(959)	(3,488)
Proceeds from sale of property and equipment	6	
Other assets	(190)	(838)
Net cash used in investing activities	(1,143)	(2,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from (repayments of) borrowings on bank credit facilities, net	(3,089)	3,339
Debt issue costs on related party indebtedness		(500)
Repayments of borrowings on long-term debt	(3,979)	(744)
Issuance of common stock, net of tax	(18)	
Net cash provided by (used in) financing activities	(7,086)	2,095
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,084	914
DECREASE IN CASH AND CASH EQUIVALENTS	(10)	(7,638)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,414	28,364
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 28,404	\$ 20,726
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 2,003	\$ 1,766

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Income taxes \$ 205 \$ 147  
See notes to unaudited consolidated condensed financial statements.

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

During the quarter ended March 30, 2008, the Company recorded the fair value of \$0.6 million related to the warrants issued pursuant to a Warrant Agreement dated as of March 6, 2008 between the company and PWER Bridge, LLC. The warrants were issued in connection with the \$50 million PWER Bridge loan extension and were recorded as a discount on the Indebtedness to related parties and an increase to Additional paid-in capital.

During the quarter ended March 29, 2009, the Company recorded approximately \$0.1 million in "Equity in earnings of joint venture" in the consolidated statements of operations related to the Company's share in the earnings from the joint venture for which it holds a minority interest.

During the quarter ended March 29, 2009, the company paid \$3.6 million plus accrued interest to repurchase and extinguish \$7 million of its 8% Senior Secured Convertible Notes. The Company recorded a net gain of \$3.1 million related to the extinguishment of debt in its consolidated statements of operations.

During the quarters ended March 29, 2009 and March 30, 2008, an additional \$0.6 million of property and equipment had been purchased but not yet paid.

See notes to unaudited consolidated condensed financial statements.

**POWER-ONE, INC.**

**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS**

**(In thousands, unaudited)**

	<b>Three Months Ended</b>	
	<b>March 29, 2009</b>	<b>March 30, 2008</b>
<b>NET LOSS</b>	<b>\$ (61,174)</b>	<b>\$ (13,639)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized loss on investment securities		(7)
Foreign currency translation adjustment	(7,362)	12,983
<b>COMPREHENSIVE LOSS</b>	<b>\$ (68,536)</b>	<b>\$ (663)</b>

See notes to unaudited consolidated condensed financial statements.

**POWER-ONE, INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying consolidated condensed financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of financial position and the results of operations for the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, restructuring costs, goodwill and intangible asset valuation, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, business combinations and contingencies. Actual results and outcomes may differ from management's estimates and assumptions. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regul