XILINX INC
Form 10-Q
February 03, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X]	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended December 27, 2008 or
[ ]	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to ________ to ______ .

Commission File Number 0-18548

Xilinx, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**77-0188631**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2100 Logic Drive, San Jose, California	**95124**
(Address of principal executive offices)	(Zip Code)

(408) 559-7778
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, 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 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 X No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No X

Shares outstanding of the registrant’s common stock:

Class	Shares Outstanding at January 21, 2009
Common Stock, $.01 par value	274,108,297

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	Dec. 27, 2008	Dec. 29, 2007	Dec. 27, 2008	Dec. 29, 2007
Net revenues	$ 458,387	$ 474,806	$ 1,430,170	$ 1,365,612
Cost of revenues	165,331	174,414	519,244	513,014
Gross margin	293,056	300,392	910,926	852,598
Operating expenses:				
Research and development	86,967	91,011	267,202	267,175
Selling, general and administrative	85,032	92,453	266,116	272,856
Amortization of acquisition-related intangibles	1,475	1,582	4,326	5,376
Restructuring charges	—	—	22,023	—
Total operating expenses	173,474	185,046	559,667	545,407
Operating income	119,582	115,346	351,259	307,191
Gain on early extinguishment of convertible debentures	89,672	—	89,672	—
Impairment loss on investments	(19,540)	—	(53,162)	—
Interest and other income (expense), net	(575)	14,385	13,620	47,422
Income before income taxes	189,139	129,731	401,389	354,613
Provision for income taxes	49,765	26,139	96,261	77,045
Net income	$ 139,374	$ 103,592	$ 305,128	$ 277,568
Net income per common share:				
Basic	$ 0.51	$ 0.36	$ 1.10	$ 0.94
Diluted	$ 0.51	$ 0.35	$ 1.10	$ 0.92
Cash dividends declared per common share	$ 0.14	$ 0.12	$ 0.42	$ 0.36
Shares used in per share calculations:				
Basic	273,997	289,703	276,584	296,714
Diluted	274,223	293,036	277,603	301,030

See notes to condensed consolidated financial statements.

XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	Dec. 27, 2008 (Unaudited)	March 29, 2008 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,007,782	$ 866,995
Short-term investments	282,148	429,440
Accounts receivable, net	213,590	249,147
Inventories	149,421	130,250
Deferred tax assets	71,104	106,842
Prepaid expenses and other current assets	30,223	37,522
Total current assets	1,754,268	1,820,196
Property, plant and equipment, at cost	816,136	789,446
Accumulated depreciation and amortization	(421,163)	(385,016)
Net property, plant and equipment	394,973	404,430
Long-term investments	388,972	564,269
Goodwill	117,955	117,955
Acquisition-related intangibles, net	3,499	7,825
Other assets	221,794	222,432
Total Assets	$ 2,881,461	$ 3,137,107
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 53,407	$ 59,402
Accrued payroll and related liabilities	96,706	100,730
Income taxes payable	2,812	39,258
Deferred income on shipments to distributors	71,510	111,678
Other accrued liabilities	54,861	29,598
Total current liabilities	279,296	340,666
Convertible debentures	760,107	999,851
Deferred tax liabilities	102,425	84,486
Long-term income taxes payable	70,052	39,122
Other long-term liabilities	1,098	1,159
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value (none issued)		
Common stock, $.01 par value	2,741	2,805
Additional paid-in capital	819,885	858,172
Retained earnings	865,966	805,042
Accumulated other comprehensive income (loss)	(20,109)	5,804
Total stockholders equity	1,668,483	1,671,823
Total Liabilities and Stockholders Equity	$ 2,881,461	$ 3,137,107

(1) Derived from audited financial statements

See notes to condensed consolidated financial statements.

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Nine Months Ended Dec. 27, 2008	Nine Months Ended Dec. 29, 2007
Cash flows from operating activities:		
Net income	$ 305,128	$ 277,568
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	42,167	40,323
Amortization	12,573	13,537
Stock-based compensation	41,188	48,730
Gain on early extinguishment of convertible debentures	(89,672)	—
Impairment loss on investments	53,162	—
Net (gain) loss on sale of available-for-sale securities	(2,740)	1,197
Convertible debt derivatives — revaluation and amortization	798	213
Tax benefit from exercise of stock options	668	11,676
Excess tax benefit from stock-based compensation	(4,759)	(12,056)
Changes in assets and liabilities:		
Accounts receivable, net	35,557	(46,998)
Inventories	(19,297)	42,075
Deferred income taxes	70,070	51,061
Prepaid expenses and other current assets	6,180	21,618
Other assets	(8,257)	(10,035)
Accounts payable	(5,996)	(1,178)
Accrued liabilities (including restructuring activities)	18,772	29,716
Income taxes payable	(33,699)	(4,906)
Deferred income on shipments to distributors	(40,167)	16,593
Net cash provided by operating activities	381,676	479,134
Cash flows from investing activities:		
Purchases of available-for-sale securities	(832,919)	(1,883,990)
Proceeds from sale and maturity of available-for-sale securities	1,078,161	1,568,082
Distribution from United Microelectronics Corporation	—	10,693
Purchases of property, plant and equipment	(32,711)	(39,355)
Other investing activities	(493)	(4,558)
Net cash provided by (used in) investing activities	212,038	(349,128)
Cash flows from financing activities:		
Repurchases of convertible debentures	(146,324)	—
Repurchases of common stock	(275,000)	(350,000)
Proceeds from issuance of common stock through various stock plans	79,620	78,338
Payment of dividends to stockholders	(115,982)	(105,881)
Excess tax benefit from stock-based compensation	4,759	12,056
Net cash used in financing activities	(452,927)	(365,487)
Net increase (decrease) in cash and cash equivalents	140,787	(235,481)
Cash and cash equivalents at beginning of period	866,995	635,879
Cash and cash equivalents at end of period	$ 1,007,782	$ 400,398
Supplemental disclosure of cash flow information:		
Interest paid	$ 17,055	$ 16,493
Income taxes paid, net of refunds	$ 59,400	$ 31,550

See notes to condensed consolidated financial statements.

XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 29, 2008. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 28, 2009 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2009 is a 52-week year ending on March 28, 2009. Fiscal 2008, which ended on March 29, 2008, was a 52-week fiscal year. The first, second and third quarters of fiscal 2009 and 2008 were all 13-week quarters.

Reclassifications

Certain immaterial amounts from the prior period reported within cash flows from operating activities presented in the condensed consolidated statements of cash flows have been reclassified to conform to the current period presentation. These reclassifications had no impact on previously reported net income or total net cash provided by operating activities.

2. Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. SFAS 157 applies to other pronouncements that require or permit fair value measurements; it does not require any new fair value measurements. The provisions of SFAS 157, as issued, were effective for Xilinx on March 30, 2008. However, in February 2008, the FASB issued FASB Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2). FSP 157-2 deferred the effective date of SFAS 157 from fiscal 2009 to fiscal 2010 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Due to the deferral, the Company has delayed the implementation of SFAS 157 provisions on the fair value of goodwill, other intangible assets and nonfinancial long-lived assets. The Company adopted SFAS 157 on March 30, 2008, the first day of fiscal 2009, for all financial assets and financial liabilities and for all nonfinancial assets and nonfinancial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company is currently evaluating the potential impact SFAS 157 will have on its consolidated financial condition and results of operations when it is applied to nonfinancial assets and nonfinancial liabilities that are not measured at fair value on a recurring basis, beginning in the first quarter of fiscal 2010. See Note 3 for additional information relating to the adoption of SFAS 157.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), to provide an enhanced understanding of an entity's use of derivative instruments, how they are accounted for under SFAS 133 and a tabular disclosure of the effects of such instruments and related hedged items on the entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company will be required to adopt SFAS 161 in the fourth quarter of fiscal 2009, which begins on December 28, 2008. Since SFAS 161 requires only additional disclosures about the Company's derivatives and hedging activities, the adoption of SFAS 161 will not have an impact on the Company's consolidated financial condition or results of operations.

In May 2008, the FASB issued FSP No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). The Companys 3.125% convertible debentures due March 15, 2037 will be affected by this FSP. FSP APB 14-1 will require the issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuers nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Further, the FSP will require bifurcation of a component of the debt, classification of that component in equity, and then accretion of the resulting discount on the debt as part of interest expense being reflected in the statement of income. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 and will be required to be applied retrospectively to all periods presented. The Company will be required to implement the standard during the first quarter of fiscal 2010, which begins on March 29, 2009. Based on the Companys preliminary analysis, future net income per share will be impacted upon adoption of the standard by a range of $0.01 per share to $0.08 per share, with the impact on net income per share increasing within the indicated range each year through the debts maturity. Adoption of the standard will also have a substantial impact in the balance sheet reclassification for the equity component of the debt.

In October 2008, the FASB issued FSP No. FAS 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS 157 in a market that is not active and defines additional key criteria in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS 157. FSP FAS 157-3 was effective upon issuance and did not have a substantial impact on Xilinxs consolidated financial condition or results of operations.

3. Fair Value Measurements

Effective March 30, 2008, the Company adopted the provisions of SFAS 157 for all financial assets and financial liabilities and for all nonfinancial assets and nonfinancial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

Fair Value Hierarchy

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. SFAS 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Companys Level 1 assets consist of U.S. Treasury securities and money market funds.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Companys Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, floating-rate notes, certain asset-backed securities and mortgage-backed securities. The Company's Level 2 assets and liabilities include foreign currency forward contracts.

Level 3 - Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

6

The Company's Level 3 assets and liabilities include student loan auction rate securities, certain asset-backed securities and the embedded derivatives related to the convertible debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 27, 2008:

(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of Dec. 27, 2008
Assets:				
Cash equivalents	$ 290,616	$ 589,074	$ -	$ 879,690
Short-term investments	6,503	240,057	35,588	282,148
Long-term investments	784	332,420	55,768	388,972
Foreign currency forward contracts (net)	-	441	-	441
Total assets measured at fair value	$ 297,903	$ 1,161,992	$ 91,356	$ 1,551,251
Liabilities:				
Convertible debentures embedded derivative	$ -	$ -	$ 3,020	$ 3,020
Total liabilities measured at fair value	$ -	$ -	$ 3,020	$ 3,020
Net assets measured at fair value	$ 297,903	$ 1,161,992	$ 88,336	$ 1,548,231

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Three Months	Nine Months