

PLX TECHNOLOGY INC

Form 425

May 03, 2012

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Proposed PLX Technology Acquisition

May 3, 2012

Filed

by

Integrated

Device

Technology,

Inc.  
pursuant  
to  
Rule  
425  
under  
the  
Securities  
Act  
of  
1933,  
as  
amended,  
and  
deemed  
filed  
pursuant  
to  
Rule  
14d-2  
under  
the  
Securities  
Exchange  
Act  
of  
1934,  
as  
amended  
Subject  
Company:  
PLX  
Technology,  
Inc.  
Commission  
File  
No.  
000-25699

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Forward Looking Statements

Investors are cautioned that forward-looking statements in this presentation, including but not limited to statements regarding demand for Company products, anticipated trends in Company sales,

expenses and profits and IDT's expectations for the proposed acquisition of PLX Technology, involve a number of risks and uncertainties that could cause actual results to differ materially from current expectations. Risks include, but are not limited to, global business and economic conditions, fluctuations in product demand, manufacturing capacity and costs, inventory management,

competition, pricing, patent and other intellectual property rights of third parties, timely development and introduction of new products and manufacturing processes, dependence on one or more customers for a significant portion of sales, successful integration of acquired businesses and technology, availability of capital, cash flow, the completion of the proposed acquisition of PLX Technology the timing of the exchange offer and the subsequent merger with PLX Technology, uncertainties as to how many of PLX Technology's stockholders will tender their shares of common stock in the exchange offer, the risk that competing offers or acquisition proposals will be made, the risk that the exchange offer and the subsequent merger will not close because of a failure to satisfy one or more of the offer closing conditions (including regulatory approvals) and other risk factors detailed in the Company's SEC filings. The Company urges investors to review in detail the risks and uncertainties

in  
the  
Company's  
SEC  
filings,  
including  
but  
not  
limited  
to  
the  
Annual  
Report  
on  
Form  
10-K for the fiscal year ended April 3, 2011 and Quarterly Report on Form 10-Q for the quarter ended January 1, 2012. All forward-looking statements are made as of the date of this release and the Company disclaims any duty to update such statements.

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Additional Info

The exchange offer in connection with the IDT's proposed acquisition of PLX Technology has not yet commenced.

This

presentation

is

for

informational

purposes  
only  
and  
shall  
not  
constitute  
an  
offer  
to

sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any offer will only be made through a prospectus, which is part of a registration statement on Form S-4, as well as a Tender Offer Statement on Schedule TO, which will contain an offer to purchase, form of letter of transmittal and other documents relating to the exchange offer (collectively, the Exchange Offer Materials ), each to be filed with the U.S. Securities and Exchange Commission (the SEC ) by IDT. In addition, PLX Technology will file with the SEC a solicitation/recommendation statement on Schedule 14D-9 with respect to the exchange offer. IDT and PLX Technology expect to mail the Exchange Offer

Materials, as well as the Schedule 14D-9, to PLX Technology stockholders. Investors and security holders are urged to carefully read these documents and the other documents relating to the transactions when they become available because these documents will contain important information relating to the exchange offer and related transactions. Investors and security holders may obtain a free copy of these documents after they have been filed with the SEC, and other annual, quarterly and special reports and other information filed with the SEC by IDT or PLX Technology, at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, such materials will be available from IDT or PLX Technology, or by calling Innisfree M&A Incorporated, the information agent for the exchange offer, toll-free at (877) 456-3463 (banks and brokers may call collect at (212) 750-5833).

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Additional Info

Neither PLX nor IDT is asking for stockholders to vote or soliciting proxies in connection with the exchange offer transaction at this time. Upon consummation of the offer, PLX and IDT may seek votes or proxies in connection with the proposed back-end merger from holders of PLX shares not tendered in the offer. PLX, IDT and their respective officers and directors therefore may be deemed to be participants in the solicitation of proxies from PLX's stockholders in connection with the proposed merger. A description of certain interests of the directors and executive officers of PLX is set forth in PLX's Form 10-K/A, Amendment No. 1, in Part III thereof, which was filed with the SEC on April 27,

2012. A description of certain interests of the directors and executive officers of IDT is set forth in IDT's proxy statement for its 2011 annual meeting, which was filed with the SEC on August 1, 2011. To the extent holdings of either company's securities by their respective directors and certain officers have subsequently changed, such changes have been reflected on Forms 4 filed with the SEC.



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Acquisition Value:

\$7.00 per PLX share or approximately \$330 million aggregate equity value based on the closing stock prices on April 27, 2012

Consideration for

Outstanding Shares:

\$3.50 in cash and 0.525 shares of IDT common stock for each PLX common share outstanding

Cash portion to be funded through existing cash balances and debt facility

Transaction

Structure:

Two-step transaction: Exchange offer followed by a merger of an IDT subsidiary into PLX which, if certain conditions are met including the issuance of a tax opinion by PLX's counsel, will be immediately followed by a merger of PLX into an LLC wholly owned by IDT

If second merger occurs, the transaction is intended to result in PLX stockholders being taxed on gain only to the extent of cash received

Estimated Synergies:

Projected to be in excess of \$35 million of estimated annual cost synergies achieved by fiscal year 2014

Accretion:

Expected to be accretive to non-GAAP earnings by the third quarter of fiscal year 2013 (assuming transaction closes during first quarter of fiscal year 2013)

Closing Conditions:

Tender in the exchange offer by PLX stockholders of shares representing at least a majority of the outstanding shares of PLX common stock on a fully diluted basis

Other customary closing conditions (including regulatory approval)

Anticipated Closing:

As early as second quarter of calendar year 2012 (IDT's first fiscal quarter 2013)

Proposed Acquisition Summary

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Compelling Strategic Acquisition

Expands IDT's portfolio of data center interconnect solutions in our core enterprise computing business

Highly complementary product and technology portfolios enable IDT to deliver system-level connectivity solutions for customers

Expands IDT's customer base globally

Adds excellent technical talent and systems expertise

Delivers benefits of scale and expanded market presence  
Serves as a foundation for growth in data center interconnects

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About PLX Technology

PLX Connectivity Solutions

Data Center/Cloud

Data Center/Cloud

PCI Express

Move, Control and Store within the Box

PCI Express

Move, Control and Store within the Box

PCI Express

Switches & Bridges

PCI Express  
Switches & Bridges  
10 Gigabit Ethernet  
LAN  
Moving between Boxes  
10 Gigabit Ethernet  
LAN  
Moving between Boxes  
Networking  
10GBase-T PHYs  
Networking  
10GBase-T PHYs  
Connectivity  
USB & PCI Bridges,/Controllers  
Storage Controllers, UARTs  
Connectivity  
USB & PCI Bridges,/Controllers  
Storage Controllers, UARTs  
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www.IDT.com  
.Connecting Everything Else  
Supporting other standards .USB, PCI, SATA  
Embedded &  
Embedded &  
Consumer  
Consumer  
1  
Source:  
March  
2012  
Roth  
Capital  
Conference  
Presentation  
1

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www.IDT.com  
Solutions for the Data Center  
2  
PCI Express  
Designs with all Market  
Leaders  
\$225M, 15M units, 50M  
Ports Shipped  
Gen 2 (5Gbps) in



Production since 2009  
Gen 3 (8Gbps) first to  
Production  
Fabric Support  
10 Gigabit Ethernet  
New Growth Vector for  
Data Center & PLX  
Designs with Market  
Leaders  
40nm in Production  
28nm in Development  
PCI Express  
Switches & Bridges  
Networking  
10GBase-T PHYs  
Connectivity  
USB & PCI Bridges,/Controllers  
Storage Controllers, UARTs

2

Source: March 2012 Roth Capital Conference Presentation

Data Center Trends Driving Opportunity  
PAGE 10  
[www.IDT.com](http://www.IDT.com)  
Virtualization  
More Efficient Servers Driving  
I/O Bandwidth up  
10G Ethernet  
& 32G ExpressFabric  
Multi-Core CPUs

More Powerful Servers Driving

I/O Bandwidth Up

10G Ethernet

& 32G ExpressFabric

I/O Convergence

FCOE needing 10G

10G Ethernet

SSD Growth

PCI Express I/O of Choice

PCI Express Switches

New Mega Centers for

Cloud Services/Social

Networks

Pursuing New Technologies to

Increase Performance, Reduce

Power & Costs. Legacy not as

Important.

ExpressFabric

within the Rack &

10G for rest of Network

Trend

Impact

3

Source: March 2012 Roth Capital Conference Presentation

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[www.IDT.com](http://www.IDT.com)  
Data Center/Cloud  
Data Center/Cloud  
PLX in the Cloud Today  
4  
Switches  
& Routers  
PCIe & 10G Today  
Servers

PCIe Today

10G Developing

Storage

PCIe Today

10G in Future

4

Source: March 2012 Roth Capital Conference Presentation

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PLX Revenue Profile

5

47%

39%

13%

1%

53%

30%

11%

3%

PCI Express (PCIe) revenue grew 13% from CY10 to CY11

Connectivity

PCI, USB high margin legacy business

Storage

announced wind down in Q4 calendar 2011, in harvest mode

Networking

10 gigabit Ethernet Phy

3%

CY11 \$116M

CY10 \$117M

PCIe

Storage

Connectivity

Networking

Networking IP

Networking

Storage

PCIe

Connectivity

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Source: March 2012 Roth Capital Conference Presentation

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Strong Financial Rationale

Projected to add \$100M+ of annual revenue

Product gross margins comparable to IDT's corporate average

Expected to be meaningfully accretive to non-GAAP earnings  
after integration

Acquisition expected to be accretive to non-GAAP earnings by the third  
fiscal quarter of 2013 (see note 1)



Projected  
cost  
synergies  
expected  
to  
be  
in  
excess  
of  
\$35  
million  
annually  
beginning in fiscal 2014 (see note 1)  
Increased scale and expected cost savings are anticipated to:

lower combined non-GAAP operating expenses,

generate significant operating margin expansion and

accelerate the timing to achieve IDT's target operating model

Note 1: Anticipated synergy savings based on an assumed closing in the second calendar quarter of 2012

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Material Synergies

Tangible and Achievable Expense Synergies

Note 1: Anticipated synergy savings based on an assumed closing in the second calendar quarter of 2012

Fiscal 2013 pre-tax expense

synergies > \$15 million (Note 1)

Expect full realization of expense

synergies in fiscal 2014 in excess

of \$35 million annualized (Note 1)

One-time restructuring cost of  
\$8M to \$12M  
Meaningful tax benefits over time,  
beginning in fiscal 2013  
Projected expense synergies  
Manufacturing efficiencies  
Operational footprint  
consolidation  
Significant R&D savings  
(including savings from exiting  
non-strategic 10 Gigabit  
Ethernet business)  
Public company expenses and  
duplicative corporate functions

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Compelling for value creation

Transaction expected to be meaningfully accretive to Non-GAAP earnings after integration

Anticipate enhanced operating margins, free cash flow and Non-GAAP earnings in year 1

Projected base run-rate cost synergies in excess of \$35 million annually beginning in fiscal 2014

Expected to be earnings accretive in third quarter of fiscal 2013 and with more significant accretion by fiscal year 2014

Accelerates Path to Target Financial Model

Non-GAAP\*

FY12 IDT

FY12

Pro Forma

IDT with

PLX\*\*

Target

Model

@ 20% Op

Margin

Commentary

Revenue

\$527M

\$640M

\$725M

The transaction is projected to add \$100M+ of annual revenue

As % of sales

Gross margin

57%

57%

59%

Product GMs are comparable to IDT's corporate average, with potential upside of additional manufacturing cost synergies

Operating expenses

45%

43%

39%

Synergies anticipated to lower both R&D and SG&A as percent of sales

Operating margin

12%

14%

20%

Anticipated accelerated margin expansion

\* Gross margin, operating expenses and operating margin are Non-GAAP. See IDT's year end fiscal 2012 earnings press release dated April 30, 2012 for reconciliation of Non-GAAP results to the most directly comparable GAAP financial measures

\*\* FY12 Pro Forma IDT with PLX assumes base run-rate synergy savings of \$35 million

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Synergy Savings Illustration

PLX amounts per PLX reported non-GAAP financials

Synergy savings per IDT estimates

~\$17M Teranetics

Elimination of public company expenses

Significant projected reduction of other selling and G&A expenses

Potential manufacturing cost savings

\* Gross margin, operating expenses and operating margin are Non-GAAP. See IDT's year end fiscal 2012 earnings press release

dated April 30, 2012 for reconciliation of Non-GAAP results to the most directly comparable GAAP financial measures

LTM	
PLX	
Pro Forma	
Non-GAAP*	
PLX	
Projected	
Pro Forma	
IDT	
IDT/PLX	
[IDT FY12]	
Synergies	
FY12	
FY12	
Combined	
Revenue	
113,127	
113,127	
526,700	
639,827	
COGS	
48,931	
48,931	
Gross Profit	
64,196	
2,000	
66,196	
298,600	
364,796	
Gross Margin %	
57%	
59%	
57%	
57%	
Operating Exp	
74,136	
-34,000	
40,136	
237,600	
277,736	
% of sales	
66%	
35%	
45%	
43%	
Operating Profit	
-9,940	
-36,000	
26,060	
61,000	

87,060

Operating Margin%

-9%

23%

12%

14%



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Target Integration Plan

Full integration of the business

PLX will become a part of IDT's Enterprise

Computing Division, which develops advanced semiconductor solutions for memory, server and I/O subsystems in data centers

Proven integration experience by the IDT management team

Projected integration expected to be similar to 2009 Tundra acquisition

Straight-forward incorporation into IDT's systems and structure

Achieved over 100% of targeted synergy cost savings

Over \$20M reduction in operating expense

Represented approximately 60% of Tundra's total pre-deal op expenses

Apply IDT's disciplined processes focused on sustainable shareholder value creation

to

sharpen

portfolio

to

balance

short

and

longer

term

revenue

growth

eliminate select unprofitable efforts

Develop future product roadmap leveraging PLX's expertise

Continue to foster research and development excellence

Rationalization of overlapping infrastructure, R&D spending and sales and marketing effort