

XILINX INC
Form 10-Q
July 31, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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 June 29, 2013

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 Number 000-18548

Xilinx, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0188631
(I.R.S. Employer
Identification No.)

2100 Logic Drive, San Jose, California
(Address of principal executive offices)
(408) 559-7778

95124
(Zip Code)

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of July 19, 2013
Common Stock, \$.01 par value	266,297,580

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XILINX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	June 29, 2013	June 30, 2012
Net revenues	\$578,955	\$582,784
Cost of revenues	179,700	198,411
Gross margin	399,255	384,373
Operating expenses:		
Research and development	111,541	121,447
Selling, general and administrative	92,387	96,201
Amortization of acquisition-related intangibles	2,418	2,148
Total operating expenses	206,346	219,796
Operating income	192,909	164,577
Interest and other expense, net	9,930	9,672
Income before income taxes	182,979	154,905
Provision for income taxes	25,956	25,074
Net income	\$ 157,023	\$ 129,831
Net income per common share:		
Basic	\$0.59	\$0.49
Diluted	\$0.56	\$0.47
Cash dividends per common share	\$0.25	\$0.22
Shares used in per share calculations:		
Basic	264,153	263,055
Diluted	280,291	273,820

See notes to condensed consolidated financial statements.

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XILINX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	Three Months Ended	
	June 29, 2013	June 30, 2012
Net income	\$ 157,023	\$ 129,831
Other comprehensive income (loss), net of tax:		
Change in net unrealized gain (loss) on available-for-sale securities	(16,924	) 1,502
Reclassification adjustment for gain on available-for-sale securities	(322	) (330
Change in net unrealized loss on hedging transactions	(1,508	) (3,623
Reclassification adjustment for loss on hedging transactions	706	1,159
Cumulative translation adjustment	(694	) (1,055
Other comprehensive loss	(18,742	) (2,347
Total comprehensive income	\$ 138,281	\$ 127,484

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	June 29, 2013 (unaudited)	March 30, 2013 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	\$509,414	\$623,558
Short-term investments	1,332,366	1,091,187
Accounts receivable, net	268,153	229,175
Inventories	186,800	201,250
Deferred tax assets	2,100	60,709
Prepaid expenses and other current assets	55,751	91,760
Total current assets	2,354,584	2,297,639
Property, plant and equipment, at cost:	794,549	784,796
Accumulated depreciation and amortization	(431,593)	(419,109)
Net property, plant and equipment	362,956	365,687
Long-term investments	1,634,031	1,651,033
Goodwill	158,990	158,990
Acquisition-related intangibles, net	33,636	36,054
Other assets	216,726	220,048
Total Assets	\$4,760,923	\$4,729,451
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$69,241	\$72,766
Accrued payroll and related liabilities	128,428	124,195
Income taxes payable	1,587	60,632
Deferred income on shipments to distributors	57,938	53,358
Deferred tax liabilities	146,397	51
Other accrued liabilities	72,104	75,786
Convertible debentures (Note 10)	926,781	—
Total current liabilities	1,402,476	386,788
Convertible debentures (Note 10)	—	922,666
Deferred tax liabilities	228,219	415,442
Long-term income taxes payable	37,777	37,579
Other long-term liabilities	2,599	3,680
Commitments and contingencies		
Temporary equity (Note 10)	362,854	—
Stockholder's equity:		
Preferred stock, \$.01 par value (none issued)	—	—
Common stock, \$.01 par value	2,648	2,636
Additional paid-in capital	967,694	1,276,278
Retained earnings	1,766,738	1,675,722
Accumulated other comprehensive income (loss)	(10,082)	) 8,660
Total stockholders' equity	2,726,998	2,963,296
Total Liabilities, Temporary Equity and Stockholders' Equity	\$4,760,923	\$4,729,451

[1] Derived from audited financial statements
See notes to condensed consolidated financial statements.

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XILINX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three Months Ended	
	June 29, 2013	June 30, 2012
Cash flows from operating activities:		
Net income	\$ 157,023	\$ 129,831
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,033	14,603
Amortization	4,885	4,267
Stock-based compensation	20,954	17,608
Net gain on sale of available-for-sale securities	(107	) (712
Amortization of debt discount on convertible debentures	4,025	3,938
Provision for deferred income taxes	22,736	19,535
Tax benefit from stock-based compensation	1,469	617
Excess tax benefit from stock-based compensation	(2,021	) (806
Others	53	629
Changes in assets and liabilities:		
Accounts receivable, net	(38,978	) (42,979
Inventories	14,373	11,137
Prepaid expenses and other current assets	(1,050	) 2,648
Other assets	(5,020	) 163
Accounts payable	(3,525	) 23,065
Accrued liabilities	11,209	(10,216
Income taxes payable	(60,430	) (80
Deferred income on shipments to distributors	4,580	(10,302
Net cash provided by operating activities	144,209	162,946
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,213,461	) (1,150,526
Proceeds from sale and maturity of available-for-sale securities	961,538	876,823
Purchases of property, plant and equipment	(11,301	) (8,342
Other investing activities	36,921	(3,788
Net cash used in investing activities	(226,303	) (285,833
Cash flows from financing activities:		
Repurchases of common stock	—	(90,707
Proceeds from issuance of common stock through various stock plans, net	31,936	8,221
Payment of dividends to stockholders	(66,007	) (58,066
Excess tax benefit from stock-based compensation	2,021	806
Net cash used in financing activities	(32,050	) (139,746
Net decrease in cash and cash equivalents	(114,144	) (262,633
Cash and cash equivalents at beginning of period	623,558	788,822
Cash and cash equivalents at end of period	\$ 509,414	\$ 526,189
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,875	\$ 7,875
Income taxes paid, net of refunds	\$ 62,236	\$ 4,470
See notes to condensed consolidated financial statements.		

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XILINX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 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 30, 2013. 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 29, 2014 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2014 and 2013 are a 52-week year ending on March 29, 2014 and March 30, 2013, respectively. The quarters ended June 29, 2013 and June 30, 2012 each included 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements

The Company adopted the authoritative guidance, established by the Financial Accounting Standards Board (FASB), that sets requirements for presentation for significant items reclassified out of the accumulated other comprehensive income to net income in their entirety during the period, and for items not reclassified to net income in their entirety during the period. This guidance does not affect the underlying accounting for components of other comprehensive income.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the Company's products worldwide. As of June 29, 2013 and March 30, 2013, Avnet accounted for 71% and 64% of the Company's total net accounts receivable, respectively. Resale of product through Avnet accounted for 49% and 46% of the Company's worldwide net revenues in the first quarter of fiscal 2014 and 2013, respectively. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the condensed consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or distributors.

No end customer accounted for more than 10% of net revenues for the first quarter of fiscal 2014 and 2013.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 86% of its portfolio in AA or higher grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of June 29, 2013, approximately 33% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service.

The global credit and capital markets have continued to experience adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities, and have experienced volatility and

disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that the Company may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. See "Note 5. Financial Instruments" for a table of the Company's available-for-sale securities.

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Note 4. Fair Value Measurements

The guidance for fair value measurements established by the FASB 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 Xilinx 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.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analyses. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first quarter of fiscal 2014 and the Company did not adjust or override any fair value measurements as of June 29, 2013.

Fair Value Hierarchy

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. The guidance for fair value measurements 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 Company's Level 1 assets consist of U.S. government and agency 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 Company's Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, mortgage-backed securities and a debt mutual fund. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap 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.

The Company's Level 3 assets and liabilities include student loan auction rate securities and the embedded derivative related to the Company's 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 tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 29, 2013 and March 30, 2013:

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(In thousands)	June 29, 2013 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	\$ 178,579	\$—	\$—	\$ 178,579
Bank certificates of deposit	—	64,996	—	64,996
Commercial paper	—	151,330	—	151,330
U.S. government and agency securities	—	10,000	—	10,000
Foreign government and agency securities	—	59,989	—	59,989
Short-term investments:				
Bank certificates of deposit	—	89,989	—	89,989
Commercial paper	—	339,919	—	339,919
Corporate bonds	—	19,206	—	19,206
U.S. government and agency securities	593,944	124,247	—	718,191
Foreign government and agency securities	—	164,927	—	164,927
Mortgage-backed securities	—	134	—	134
Long-term investments:				
Corporate bonds	—	243,625	—	243,625
Auction rate securities	—	—	29,246	29,246
Municipal bonds	—	21,969	—	21,969
U.S. government and agency securities	87,324	56,645	—	143,969
Mortgage-backed securities	—	1,135,605	—	1,135,605
Debt mutual fund	—	59,617	—	59,617
Total assets measured at fair value	\$ 859,847	\$ 2,542,198	\$ 29,246	\$ 3,431,291
Liabilities				
Derivative financial instruments, net	\$—	\$ 3,122	\$—	\$ 3,122
Convertible debentures — embedded derivative	—	—	1,165	1,165
Total liabilities measured at fair value	\$—	\$ 3,122	\$ 1,165	\$ 4,287
Net assets measured at fair value	\$ 859,847	\$ 2,539,076	\$ 28,081	\$ 3,427,004

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(In thousands)	March 30, 2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	\$ 108,311	\$—	\$—	\$ 108,311
Bank certificates of deposit	—	79,995	—	79,995
Commercial paper	—	208,667	—	208,667
U.S. government and agency securities	95,039	—	—	95,039
Foreign government and agency securities	—	54,989	—	54,989
Short-term investments:				
Bank certificates of deposit	—	44,992	—	44,992
Commercial paper	—	294,883	—	294,883
Corporate bonds	—	40,728	—	40,728
Municipal bonds	—	3,706	—	3,706
U.S. government and agency securities	416,887	75,011	—	491,898
Foreign government and agency securities	—	214,912	—	214,912
Mortgage-backed securities	—	68	—	68
Long-term investments:				
Corporate bonds	—	235,275	—	235,275
Auction rate securities	—	—	28,700	28,700
Municipal bonds	—	21,234	—	21,234
U.S. government and agency securities	55,142	55,143	—	110,285
Mortgage-backed securities	—	1,192,612	—	1,192,612
Debt mutual fund	—	62,927	—	62,927
Total assets measured at fair value	\$ 675,379	\$ 2,585,142	\$ 28,700	\$ 3,289,221
Liabilities				
Derivative financial instruments, net	\$—	\$ 1,615	\$—	\$ 1,615
Convertible debentures — embedded derivative	—	—	1,090	1,090
Total liabilities measured at fair value	\$—	\$ 1,615	\$ 1,090	\$