

Avago Technologies LTD
Form 10-Q
June 03, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 May 2, 2010

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: 001-34428

Avago Technologies Limited

(Exact Name of Registrant as Specified in Its Charter)

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Singapore
(State or Other Jurisdiction of
Incorporation or Organization)

N/A
(I.R.S. Employer
Identification No.)

1 Yishun Avenue 7

Singapore 768923
(Address of Principal Executive Offices)

N/A
(Zip Code)

(65) 6755-7888

(Registrant's telephone number, including area code)

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 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 24, 2010 there were 238,622,060 shares of our ordinary shares, no par value per share, outstanding.

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AVAGO TECHNOLOGIES LIMITED

Quarterly Report on Form 10-Q

For the Quarterly Period Ended May 2, 2010

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements Unaudited
AVAGO TECHNOLOGIES LIMITED****CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED****(in millions, except share amounts)**

	November 1, 2009 (1)	May 2, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 472	\$ 256
Trade accounts receivable, net	186	249
Inventory	162	178
Other current assets	44	44
Total current assets	864	727
Property, plant and equipment, net	264	261
Goodwill	171	171
Intangible assets, net	647	607
Other long-term assets	24	16
Total assets	\$ 1,970	\$ 1,782
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 154	\$ 169
Employee compensation and benefits	55	59
Accrued interest	25	12
Capital lease obligations - current	2	2
Other current liabilities	33	39
Current portion of long-term debt	364	
Total current liabilities	633	281
Long-term liabilities:		
Long-term debt	230	230
Capital lease obligations - non-current	3	4
Other long-term liabilities	64	67
Total liabilities	930	582
Commitments and contingencies (Note 11)		
Shareholders equity:		
Ordinary shares, no par value; 235,392,897 shares and 238,586,390 shares issued and outstanding on November 1, 2009 and May 2, 2010, respectively	1,393	1,425
Accumulated deficit	(356)	(228)

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Accumulated other comprehensive income	3	3
Total shareholders' equity	1,040	1,200
Total liabilities and shareholders' equity	\$ 1,970	\$ 1,782

- (1) Amounts as of November 1, 2009 have been derived from audited financial statements as of that date.
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents**AVAGO TECHNOLOGIES LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS UNAUDITED**

(in millions, except per share data)

	Quarter Ended		Six Months Ended	
	May 3, 2009	May 2, 2010	May 3, 2009	May 2, 2010
Net revenue	\$ 325	\$ 515	\$ 693	\$ 971
Costs and expenses:				
Cost of products sold:				
Cost of products sold	210	268	414	515
Amortization of intangible assets	14	14	29	29
Restructuring charges	3		9	
Total cost of products sold	227	282	452	544
Gross margin	98	233	241	427
Research and development	59	70	121	134
Selling, general and administrative	42	48	82	94
Amortization of intangible assets	5	6	11	11
Restructuring charges	3	1	8	2
Total operating expenses	109	125	222	241
Income (loss) from operations	(11)	108	19	186
Interest expense	(20)	(8)	(38)	(19)
Gain (loss) on extinguishment of debt			1	(24)
Other expense, net	(2)	(1)	(4)	(2)
Income (loss) before income taxes	(33)	99	(22)	141
Provision for (benefit from) income taxes	(2)	9	3	13
Net income (loss)	\$ (31)	\$ 90	\$ (25)	\$ 128
Net income (loss) per share:				
Basic	\$ (0.14)	\$ 0.38	\$ (0.12)	\$ 0.54
Diluted	\$ (0.14)	\$ 0.37	(0.12)	\$ 0.52
Weighted average shares:				
Basic	214	238	214	237
Diluted	214	246	214	244

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents**AVAGO TECHNOLOGIES LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED**

(in millions)

	Six Months Ended	
	May 3, 2009	May 2, 2010
Cash flows from operating activities:		
Net income (loss)	\$ (25)	\$ 128
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	80	79
Amortization of debt issuance costs	2	1
(Gain) loss on extinguishment of debt	(1)	8
Loss on disposal of property, plant and equipment		1
Non-cash portion of restructuring charges	1	
Impairment of investment	2	
Share-based compensation	4	11
Excess tax benefits from share-based compensation		(1)
Changes in assets and liabilities, net of acquisitions:		
Trade accounts receivable	1	(63)
Inventory	38	(16)
Accounts payable	(4)	7
Employee compensation and benefits	(34)	4
Other current assets and current liabilities	(9)	(14)
Other long-term assets and long-term liabilities	7	11
Net cash provided by operating activities	62	156
Cash flows from investing activities:		
Purchase of property, plant and equipment	(25)	(27)
Acquisitions and investments, net of cash acquired	(7)	(1)
Proceeds from disposal of property, plant and equipment		1
Proceeds from sale of discontinued operations	2	
Net cash used in investing activities	(30)	(27)
Cash flows from financing activities:		
Issuance of ordinary shares		19
Repurchase of ordinary shares	(1)	
Debt repayments	(2)	(364)
Payment of capital lease obligations		