

ALTERA CORP
Form 10-Q
July 26, 2012
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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, 2012

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 0-16617

ALTERA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

101 INNOVATION DRIVE

SAN JOSE, CALIFORNIA 95134

(Address of principal executive offices) (zip code)

408-544-7000

77-0016691

(I.R.S. Employer

Identification Number)

(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 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 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 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:

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ 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 ☒

Number of shares of common stock outstanding at July 11, 2012: 319,919,780

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PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements

ALTERA CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par value amount)	June 29, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$2,884,063	\$3,371,933
Short-term investments	46,381	65,222
Total cash, cash equivalents, and short-term investments	2,930,444	3,437,155
Accounts receivable, net	425,267	232,273
Inventories	146,090	122,279
Deferred income taxes — current	71,171	58,415
Deferred compensation plan — marketable securities	57,770	54,041
Deferred compensation plan — restricted cash equivalents	15,707	17,938
Other current assets	40,106	52,710
Total current assets	3,686,555	3,974,811
Property and equipment, net	193,299	171,721
Long-term investments	579,924	74,033
Deferred income taxes — non-current	25,903	26,629
Other assets, net	45,227	35,074
Total assets	\$4,530,908	\$4,282,268
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$68,779	\$52,154
Accrued liabilities	43,691	34,029
Accrued compensation and related liabilities	37,675	78,181
Deferred compensation plan obligations	73,477	71,979
Deferred income and allowances on sales to distributors	374,175	279,876
Credit facility	—	500,000
Total current liabilities	597,797	1,016,219
Income taxes payable — non-current	246,718	263,423
Long-term debt	500,000	—
Other non-current liabilities	9,268	8,730
Total liabilities	1,353,783	1,288,372
Commitments and contingencies (See “Note 11 — Commitments and Contingencies”)		
Stockholders' equity:		
Common stock: \$.001 par value; 1,000,000 shares authorized; outstanding - 319,945 shares at June 29, 2012 and 322,054 shares at December 31, 2011	320	322
Capital in excess of par value	1,096,654	1,050,752
Retained earnings	2,077,219	1,942,955
Accumulated other comprehensive income (loss)	2,932	(133)
Total stockholders' equity	3,177,125	2,993,896
Total liabilities and stockholders' equity	\$4,530,908	\$4,282,268
See accompanying notes to consolidated financial statements.		

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ALTERA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
Net sales	\$464,831	\$548,383	\$848,585	\$1,084,196
Cost of sales	141,315	159,716	256,149	306,626
Gross margin	323,516	388,667	592,436	777,570
Research and development expense	92,356	80,260	174,653	154,668
Selling, general, and administrative expense	71,796	70,182	141,581	139,204
Compensation (benefit) expense — deferred compensation plan	(2,313)	) 54	3,423	1,716
Loss (gain) on deferred compensation plan securities	2,313	(54)	) (3,423)	) (1,716)
Interest income and other	(1,415)	) (957)	) (3,222)	) (1,842)
Gain reclassified from other comprehensive income	(69)	) —	(171)) —
Interest expense	2,116	870	3,053	1,911
Income before income taxes	158,732	238,312	276,542	483,629
Income tax (benefit) expense	(3,947)	) 23,685	(1,971)	) 44,933
Net income	162,679	214,627	278,513	438,696
Other comprehensive income:				
Unrealized gain on investments:				
Unrealized holding gain on investments arising during period, net of tax of \$8 and \$66	2,799	—	3,103	—
Less: Reclassification adjustments for gain on investments included in net income, net of tax of \$1, and \$6	(3)	) —	(23)) —
	2,796	—	3,080	—
Unrealized gain on derivatives:				
Unrealized gain on derivatives arising during period, net of tax of \$34 and \$42	63	—	77	—
Less: Reclassification adjustments for gain on derivatives included in net income, net of tax of \$23, and \$50	(42)	) —	(92)) —
	21	—	(15)) —
Other comprehensive income	2,817	—	3,065	—
Comprehensive income	\$165,496	\$214,627	\$281,578	\$438,696
Net income per share:				
Basic	\$0.51	\$0.66	\$0.87	\$1.36
Diluted	\$0.50	\$0.65	\$0.85	\$1.33
Shares used in computing per share amounts:				
Basic	321,218	323,271	321,898	322,145
Diluted	325,285	329,904	326,172	328,874

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Cash dividends per common share	\$0.08	\$0.06	\$0.16	\$0.12
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See accompanying notes to consolidated financial statements.

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ALTERA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended	
	June 29, 2012	July 1, 2011
Cash Flows from Operating Activities:		
Net income	\$278,513	\$438,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,749	15,214
Stock-based compensation	46,200	37,432
Deferred income tax (benefit) expense	(12,090)	4,897
Tax effect of employee stock plans	16,500	17,048
Excess tax benefit from employee stock plans	(16,434)	(14,589)
Changes in assets and liabilities:		
Accounts receivable, net	(192,994)	(19,896)
Inventories	(23,811)	23,212
Other assets	6,019	43,638
Accounts payable and other liabilities	(19,066)	(53,532)
Deferred income and allowances on sales to distributors	94,299	(47,923)
Income taxes payable	(16,658)	12,921
Deferred compensation plan obligations	(1,925)	(754)
Net cash provided by operating activities	175,302	456,364
Cash Flows from Investing Activities:		
Purchases of property and equipment	(31,312)	(9,796)
Proceeds from sales of deferred compensation plan securities, net	1,925	754
Purchases of available-for-sale securities	(576,568)	—
Proceeds from sale and maturity of available-for-sale securities	92,643	—
Net cash used in investing activities	(513,312)	(9,042)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock through various stock plans	26,086	87,122
Shares withheld for employee taxes	(6,562)	(8,178)
Payment of dividends to stockholders	(51,558)	(38,681)
Proceeds from issuance of long-term debt	500,000	—
Repayment of credit facility	(500,000)	—
Long-term debt and credit facility issuance costs	(5,244)	—
Repurchases of common stock	(129,016)	—
Excess tax benefit from employee stock plans	16,434	14,589
Net cash (used in) provided by financing activities	(149,860)	54,852
Net (decrease) increase in cash and cash equivalents	(487,870)	502,174
Cash and cash equivalents at beginning of period	3,371,933	2,765,196
Cash and cash equivalents at end of period	\$2,884,063	\$3,267,370

See accompanying notes to consolidated financial statements.

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ALTERA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Organization and Basis of Presentation

The accompanying unaudited consolidated financial statements of Altera Corporation and its subsidiaries, collectively referred to herein as “Altera”, “we”, “us”, or “our”, have been prepared by us in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. This financial information reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The December 31, 2011 consolidated balance sheet data was derived from our audited consolidated financial statements included in our 2011 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (“SEC”), but does not include all disclosures required by U.S. GAAP. The consolidated financial statements include our accounts as well as those of our wholly-owned subsidiaries after elimination of all significant inter-company balances and transactions.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

These consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2011 included in our Annual Report on Form 10-K. The consolidated operating results for the three or six months ended June 29, 2012 are not necessarily indicative of the results to be expected for any future period.

Note 2 — Recent Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income, which requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220), Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, to defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. We adopted the guidance in our first quarter of 2012 with no significant impact on our consolidated financial statements or related footnotes.

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Note 3 — Financial Instruments

Cash, Cash Equivalents and Marketable Securities

The following tables summarize our cash and available-for-sale securities by significant investment category as of June 29, 2012 and December 31, 2011.

(In thousands)	June 29, 2012				Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
	Cost	Unrealized Gains	Unrealized Losses	Fair Value			
Cash	\$97,497	\$—	\$—	\$97,497	\$97,497	\$—	\$—
Available for sale:							
Level 1:							
Money market funds	2,734,389	—	—	2,734,389	2,734,389	—	—
U.S. treasury securities	545,365	2,770	—	548,135	27,182	12,774	508,179
Subtotal	3,279,754	2,770	—	3,282,524	2,761,571	12,774	508,179
Level 2:							
U.S. agency securities	42,433	14	(3	) 42,444	24,995	5,056	12,393
Non-U.S. government securities	10,293	5	(4	) 10,294	—	7,787	2,507
Municipal bond	753	1	—	754	—	754	—
Corporate securities	76,648	232	(25	) 76,855	—	20,010	56,845
Subtotal	130,127	252	(32) 130,347	24,995	33,607	71,745
Total	\$3,507,378	\$3,022	\$(32) \$3,510,368	\$2,884,063	\$46,381	\$579,924

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(In thousands)	December 31, 2011						
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$165,122	\$—	\$—	\$165,122	\$165,122	\$—	\$—
Available for sale:							