

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-03-31**  
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### FILER

#### **INTERNATIONAL RECTIFIER CORP /DE/**

CIK: **316793** | IRS No.: **951528961** | State of Incorporation: **DE** | Fiscal Year End: **0629**  
Type: **10-Q** | Act: **34** | File No.: **001-07935** | Film No.: **94529043**  
SIC: **3674** Semiconductors & related devices

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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 March 31, 1994

Transition report pursuant to section 13 or 15 (d) of the securities exchange act of 1934 (no fee required)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-7935

International Rectifier Corporation  
(exact name of registrant as specified in its charter)

Delaware 95-1528961  
(State or other jurisdiction of (irs employer  
incorporation or organization) identification number)

233 Kansas Street  
El Segundo, California 90245  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 322-3331

No Change  
(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

There were 20,350,077 shares of \$1 par value common stock outstanding at May 13, 1994.

Table of Contents

## ITEM 1. Financial Statements

Unaudited Consolidated Statement  
of Operations for the Three and Nine Month  
Periods Ended March 31, 1994  
and March 31, 1993

Consolidated Balance Sheet as of  
March 31, 1994 (unaudited)  
and June 30, 1993

Unaudited Consolidated Statement of  
Cash Flows for the Nine Month  
Periods Ended March 31, 1994  
and 1993

Notes to Unaudited Consolidated  
Financial Statements

ITEM 2. Management's Discussion and Analysis  
of Financial Condition and Results  
of Operations

## PART II. OTHER INFORMATION

NONE

## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

International Rectifier Corporation and Subsidiaries

Unaudited Consolidated Statement of Operations  
(In thousands except per share amounts)

|  | Three Months Ended<br>March 31, |           | Nine Months Ended<br>March 31, |            |
|--|---------------------------------|-----------|--------------------------------|------------|
|  | 1994                            | 1993      | 1994                           | 1993       |
| Revenues   | \$ 84,252                       | \$ 70,572 | \$236,450                      | \$ 206,004 |
| Cost of sales  | 56,142                          | 50,059    | 159,307                        | 149,137    |
| Gross profit   | 28,110                          | 20,513    | 77,143                         | 56,867     |
| Selling and administrative expense                         | 17,465                          | 15,827    | 50,606                         | 46,455     |
| Research and development expense                           | 4,201                           | 3,606     | 11,980                         | 10,154     |
| Operating profit   | 6,444                           | 1,080     | 14,557                         | 258        |
| Other income (expense):                                    |                                 |           |                                |            |
| Interest - net   | (1,161)                         | (574)     | (2,715)                        | (1,552)    |
| Other - net  | (218)                           | (180)     | (709)                          | (2,243)    |
| Income (loss) before income taxes                          | 5,065                           | 326       | 11,133                         | (3,537)    |
| Provision for income taxes                                 | 859                             | 201       | 1,881                          | 209        |
| Net income (loss)  | \$ 4,206                        | \$ 125    | \$ 9,252                       | \$ (3,746) |
| Net income (loss) per share                                | \$ 0.21                         | \$ 0.01   | \$ 0.46                        | \$ (0.18)  |
| Average common and common<br>equivalent shares outstanding | 20,477                          | 20,299    | 20,412                         | 20,040     |

The accompanying notes are an integral part of this statement.

International Rectifier Corporation and Subsidiaries  
Consolidated Balance Sheet  
(In thousands)

|                                 | March 31,<br>1994<br>(unaudited) | June 30,<br>1993 |
|---------------------------------|----------------------------------|------------------|
| Assets                          |                                  |                  |
| Current assets:                 |                                  |                  |
| Cash and cash equivalents       | \$ 13,026                        | \$ 8,545         |
| Trade accounts receivable (net) | 63,045                           | 55,004           |
| Inventories                     | 69,661                           | 62,609           |

|  |            |            |
|--|------------|------------|
| Prepaid expenses                           | 2,174      | 1,731      |
|  | -----      | -----      |
| Total current assets                       | 147,906    | 127,889    |
| Property, plant and equipment (net)        | 152,005    | 138,518    |
| Investments and long-term notes receivable | 2,242      | 2,251      |
| Other assets                               | 11,368     | 9,790      |
|  | -----      | -----      |
| Total assets                               | \$ 313,521 | \$ 278,448 |
|  | =====      | =====      |
| Liabilities and Stockholders' Equity       |            |            |
| Current liabilities:                       |            |            |
| Bank loans                                 | \$ 29,204  | \$ 24,007  |
| Long-term debt - due within one year       | 5,788      | 3,532      |
| Accounts payable                           | 30,074     | 27,846     |
| Accrued salaries, wages and commissions    | 8,342      | 9,376      |
| Other accrued expenses                     | 8,985      | 5,012      |
|  | -----      | -----      |
| Total current liabilities                  | 82,393     | 69,773     |
| Long-term debt, less current maturities    | 24,611     | 11,810     |
| Deferred income                            | 1,199      | 1,402      |
| Other long-term liabilities                | 9,101      | 9,073      |
| Deferred income taxes                      | 607        | 316        |
| Stockholders' equity:                      |            |            |
| Common stock                               | 20,345     | 20,234     |
| Capital contributed in excess of par value | 168,022    | 167,148    |
| Retained earnings                          | 13,038     | 3,786      |
| Cumulative translation adjustments         | (5,795)    | (5,094)    |
|  | -----      | -----      |
| Total stockholders' equity                 | 195,610    | 186,074    |
|  | -----      | -----      |
| Total liabilities and stockholders' equity | \$ 313,521 | \$ 278,448 |
|  | =====      | =====      |

The accompanying notes are an integral part of this statement.

International Rectifier Corporation and Subsidiaries

Unaudited Consolidated Statement of Cash Flows  
(In thousands)

Nine Months Ended  
March 31,  
-----

|   | 1994      | 1993       |
|---|-----------|------------|
|   | -----     | -----      |
| Cash flow from operating activities:                                      |           |            |
| Net income (loss)   | \$ 9,252  | \$ (3,746) |
| Adjustments to reconcile to net cash provided by operating activities:    |           |            |
| Depreciation and amortization   | 13,286    | 12,777     |
| Deferred income   | (203)     | (387)      |
| Deferred income taxes   | 294       | (7)        |
| Deferred compensation   | 1,158     | 1,116      |
|   | -----     | -----      |
| Cash flow from operating activities prior to working capital requirements | 23,787    | 9,753      |
| Change in working capital   | (10,840)  | 6,385      |
|   | -----     | -----      |
| Net cash provided by operating activities                                 | 12,947    | 16,138     |
|   | -----     | -----      |
| Cash flow from investing activities:                                      |           |            |
| Additions to property, plant and equipment                                | (19,080)  | (15,463)   |
| Investment in non-current assets  | (2,818)   | (2,398)    |
|   | -----     | -----      |
| Net cash used in investing activities                                     | (21,898)  | (17,861)   |
|   | -----     | -----      |
| Cash flow from financing activities:                                      |           |            |
| Proceeds from issuance of (payments on) bank debt                         | 5,592     | (258)      |
| Proceeds from issuance of debt and obligations under capital leases       | 9,972     | 4,281      |
| Payments on debt and obligations under capital leases                     | (3,162)   | (3,753)    |
| Net proceeds from issuance of common stock                                | 985       | 1,823      |
| Proceeds from (payments on) other long-term liabilities                   | 206       | (888)      |
|   | -----     | -----      |
| Net cash provided by financing activities                                 | 13,593    | 1,205      |
| Effect of exchange rate changes on cash and cash equivalents              | (161)     | 9          |
|   | -----     | -----      |
| Net increase (decrease) in cash and cash equivalents                      | 4,481     | (509)      |
|   | -----     | -----      |
| Cash and cash equivalents, beginning of period                            | 8,545     | 8,547      |
|   | -----     | -----      |
| Cash and cash equivalents, end of period                                  | \$ 13,026 | \$ 8,038   |
|   | =====     | =====      |

The accompanying notes are an integral part of this statement.

International Rectifier Corporation

Notes to unaudited consolidated financial statements

March 31, 1994

## 1. Basis of Presentation

The consolidated financial statements included herein are unaudited, however, they contain all normal recurring accruals which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at March 31, 1994 and the consolidated results of operations for the nine month periods ended March 31, 1994 and 1993, and cash flows for the nine month periods ended March 31, 1994 and 1993. It should be understood that accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the nine month period ended March 31, 1994, are not necessarily indicative of the results to be expected for the full year.

The Company operates on a fiscal year calendar. Normally each fiscal year consists of 52 weeks; however, fiscal 1993 consisted of 53 weeks. The extra week was included in the quarter ended December 31, 1992 which resulted in 40 weeks in the nine month period ended March 31, 1993 versus 39 weeks in the comparable 1994 fiscal period.

The accompanying consolidated financial statements do not include footnotes and certain financial presentations normally required under generally accepted accounting principles and, therefore, should be read in conjunction with the Annual Report on Form 10-K for the year ended June 30, 1993.

In the fourth quarter of fiscal 1993 the Company extended the useful life of certain assets. This change positively impacted gross profit in the quarter ended March 31, 1994 by approximately \$0.6 million.

Effective July 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" which requires recognition of deferred tax assets and liabilities for temporary differences and net operating loss and tax credit carryforwards. Adoption of SFAS No. 109 had no material impact on the Company's financial position or results from operations. For further disclosure, refer to the quarterly report filed on form 10-Q for the quarter ended September 30, 1993.

Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation.

## 2. Per Share Information

Earnings per share are computed by dividing earnings by the weighted average

number of common and common stock equivalents outstanding. Stock options outstanding under stock option plans are common stock equivalents. 108,000 common stock equivalents for stock options were utilized in the computation of earnings per share for the nine months ended March 31, 1994. No common stock equivalents for stock options were used in the nine months ended March 31, 1993 as the impact would have been anti-dilutive.

### 3. Inventories

Inventories are stated at the lower of cost (principally first-in, first-out) or market. Inventories at March 31, 1994 and June 30, 1993 were comprised of the following (in thousands):

|                 | March 31, 1994 | June 30, 1993 |
|-----------------|----------------|---------------|
| Raw materials   | \$ 12,556      | \$ 12,613     |
| Work-in-process | 28,407         | 24,943        |
| Finished goods  | 28,698         | 25,053        |
|                 | -----          | -----         |
|                 | \$ 69,661      | \$ 62,609     |
|                 | =====          | =====         |

### 4. Long-Term Debt and Other Loans

A summary of the Company's long-term debt and other loans at March 31, 1994 is as follows:

|  | March 31, 1994 |
|--|----------------|
| Capitalized lease obligations          | \$ 18,828      |
| Property mortgage notes                | 4,522          |
| Other                                  | 7,049          |
|  | -----          |
|  | 30,399         |
| Less current portion of long-term debt | (5,788)        |
|  | -----          |
|  | \$ 24,611      |
|  | =====          |

### 5. Litigation

Oral argument took place on May 2, 1994 before the Court of Appeals for the Federal Circuit on the appeal by SGS-Thomson Microelectronics, Inc., from the rulings in 1993 of the Federal District Court in Los Angeles, California, dismissing the claims of SGS against the Company for infringement of U.S. patents 4,495,513; 4,712,127; and 4,553,314. The Company's action against SGS and its Italian affiliate, SGS-Thomson Microelectronics, S.r.L., for infringement of the Company's U.S. patents 5,008,725 and 5,130,167 is scheduled for trial beginning June 14, 1994.



## 6. Settlement Charge

In the quarter ended December 31, 1992, the Company reached an agreement for settlement of a lawsuit brought by a supplier against the Company in California Superior Court. Under the terms of the agreement the Company paid the supplier \$1.0 million. In the quarter ended December 31, 1992, the Company recognized a charge of approximately \$1.0 million (\$1 million payment plus legal fees, less amounts previously provided) related to this settlement.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the three and nine month periods ended March 31, 1994, as compared to the respective prior year period.

The Company operates on a fiscal calendar, under which the nine months ended March 31, 1994 consisted of 39 weeks compared to 40 weeks in the nine months ended March 31, 1993.

Revenues in the quarter ended March 31, 1994 increased to \$84.3 million from \$70.6 million in the comparable prior year period. Revenues for the nine month period ended March 31, 1994 increased to \$236.5 million from \$206.0 million in the previous year. The Company's revenue increase is primarily a result of rising demand for the Company's key growth products and increased manufacturing output. Year-to-year, electronic products revenues grew by 27 percent. Revenues for the quarters ended March 31, 1994 and 1993 include patent royalties of \$2.0 million and \$2.7 million, respectively.

Gross profit in the three and nine month periods ended March 31, 1994 increased to \$28.1 million (33.4% of revenues) and \$77.1 million (32.6% of revenues), respectively, from \$20.5 million (29.1% of revenues) and \$56.9 million (27.6% of revenues) in the respective prior year periods. This increase reflects greater manufacturing output and efficiencies and a better product mix. In the fourth quarter of fiscal 1993 the Company extended the useful lives of certain assets. This change positively impacted gross profit in the three and nine month periods ended March 31, 1994 by approximately \$0.6 million (0.7% of revenues) and \$1.6 million (0.7% of revenues), respectively.

In the three and nine month periods ended March 31, 1994, selling and administrative expenses decreased to 20.7% and 21.4% of revenues (\$17.5 million and \$50.6 million), respectively, compared to 22.4% and 22.6% of revenues (\$15.8 million and \$46.5 million) in the respective prior year periods.

The Company's research and development program is focused on diversifying its

MOSFET product line and expanding the related IGBT product line. Efforts are also directed to the development of smart power ICs (integrated circuits) and other power products that work in combination with MOSFETs and IGBTs to improve system performance. In the three and nine month periods ended March 31, 1994, research and development expenditures increased to \$4.2 million (5.0% of revenues) and \$12.0 million (5.1% of revenues), compared to \$3.6 million and \$10.2 million (5.1% and 4.9% of revenues) in the respective prior year periods.

Net interest expense in the three and nine month periods ended March 31, 1994 increased \$0.6 million and \$1.2 million, respectively, from the comparable prior year periods. The increase in interest expense resulted from increased borrowings, partially offset by lower average interest rates.

Results for the nine months ended March 31, 1993 include a \$1.0 million charge for settlement of a breach of contract lawsuit brought against the Company.

#### SEASONALITY

The Company has experienced moderate seasonality in its business in recent years. On average, the Company has reported approximately 48% of annual revenues in the first half and approximately 52% in the second half of its fiscal year.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1994, the Company had established \$57.0 million in domestic and foreign revolving credit facilities, of which \$29.2 million had been borrowed by the Company. Based upon covenant and collateral limitations under the revolving credit facilities, the Company had \$16.1 million available for borrowing at March 31, 1994. In addition, at March 31, 1994, the Company had available approximately \$20.5 million of unused lease lines of credit for capital equipment. At March 31, 1994, the Company had \$13.0 million of cash and cash equivalents on hand, and had made commitments of approximately \$6.0 million for capital equipment, primarily to expand the Company's assembly and wafer capacity.

Although it periodically reevaluates its sources of financing, the Company believes that cash and cash equivalents on hand, anticipated cash flows from operations, and funds available from existing credit lines will be sufficient to meet its cash requirements for the foreseeable future.

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL RECTIFIER CORPORATION  
Registrant

MICHAEL P. MCGEE

Date: May 13, 1994

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Michael P. McGee  
Vice President,  
Chief Financial Officer and  
Principal Accounting Officer

PART II. OTHER INFORMATION

NONE