

DSP GROUP INC /DE/
Form 10-Q
August 09, 2018

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 30, 2018

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 1-35256

DSP GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

5 Shenkar Street, Herzelia

(Address of Principal Executive Offices) (Zip Code)

94-2683643

(I.R.S. employer identification number)

4672505 Israel

Registrant's telephone number, including area code: **(408) 986-4300**

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period of complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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 August 2, 2018, there were 22,439,068 shares of Common Stock (\$.001 par value per share) outstanding.

INDEX

DSP GROUP, INC.

	<u>Page</u> <u>No.</u>
<i>PART I. FINANCIAL INFORMATION</i>	
Item 1. Financial Statements (Unaudited)	
Condensed consolidated balance sheets—June 30, 2018 and December 31, 2017	2
Condensed consolidated statements of operations—Three and six month periods ended June 30, 2018, and 2017	4
Condensed consolidated statements of cash flows—Six month periods ended June 30, 2018 and 2017	7
Condensed consolidated statements of stockholders’ equity—Three and six month periods ended June 30, 2018 and 2017	8
Notes to condensed consolidated financial statements—June 30, 2018	10
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	38
Item 4. Controls and Procedures	38
<i>PART II. OTHER INFORMATION</i>	
Item 1. Legal Proceedings	38
Item 1A. Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	55
Item 3. Defaults Upon Senior Securities	55
Item 4. Mine Safety Disclosure	55
Item 5. Other Information	55
Item 6. Exhibits	56
SIGNATURES	57

PART 1. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****DSP GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(U.S. dollars in thousands, except share and per share data)**

	June 30, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,143	\$ 21,324
Restricted deposits	506	524
Marketable securities and short-term deposits	30,684	24,697
Trade receivables	16,622	13,416
Other accounts receivable and prepaid expenses	3,196	3,167
Inventories	8,366	9,422
TOTAL CURRENT ASSETS	75,517	72,550
PROPERTY AND EQUIPMENT, NET	3,071	3,184
NON-CURRENT ASSETS:		
Long-term marketable securities and deposits	76,620	82,669
Long-term prepaid expenses and lease deposits	1,598	1,541
Deferred income taxes	1,124	1,043
Severance pay fund	14,683	15,190
Intangible assets, net	1,929	2,779
Goodwill	6,243	6,243
TOTAL NON-CURRENT ASSETS	102,197	109,465
TOTAL ASSETS	\$ 180,785	\$ 185,199

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

2

DSP GROUP, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands, except share and per share data)

	June 30, 2018 Unaudited	December 31, 2017 Audited
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$9,851	\$8,660
Accrued compensation and benefits	7,986	8,699
Income tax accruals and payables	1,165	1,232
Accrued expenses and other accounts payable	2,746	2,888
TOTAL CURRENT LIABILITIES	21,748	21,479
NON-CURRENT LIABILITIES:		
Deferred income taxes	239	424
Accrued severance pay	14,814	15,463
Accrued pensions	870	883
TOTAL NON-CURRENT LIABILITIES	15,923	16,770
STOCKHOLDERS' EQUITY:		
Capital stock:		
Common stock, \$ 0.001 par value -		
Authorized shares: 50,000,000 shares at June 30, 2018 and December 31, 2017; Issued and outstanding shares: 22,460,881 and 22,432,660 shares at June 30, 2018 and December 31, 2017, respectively	22	22
Additional paid-in capital	375,410	372,041
Treasury stock at cost	(119,200)	(118,397)
Accumulated other comprehensive loss	(2,698)	(1,874)
Accumulated deficit	(110,420)	(104,842)
TOTAL STOCKHOLDERS' EQUITY	143,114	146,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$180,785	\$185,199

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

DSP GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(U.S. dollars in thousands, except per share amounts)

	Three months ended June 30, 2018		Six months ended June 30, 2018	
	2017	2017	2018	2017
Revenues	\$30,651	\$31,301	\$58,762	\$59,234
Cost of revenues (1)	15,598			