

Silicon Motion Technology CORP
Form 20-F
April 30, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: N/A

For the transition period from to

Commission file number: 000-51380

Silicon Motion Technology Corporation

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

8F-1, No. 36, Taiyuan St.,

Jhubei City, Hsinchu County 302

Taiwan

Tel: +886 3 552 6888

Fax: + 886 3 560 0336

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares, par value US\$0.01 per share*	Nasdaq Global Select Market
American Depositary Shares, each representing	
four ordinary shares	

***Not for trading, but only in connection with the listing on the Nasdaq Global Select Market of American Depositary Shares, or ADSs, each representing four ordinary shares.**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities registered or to be registered pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 131,630,180 ordinary shares as of December 31, 2013, US\$0.01 par value per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes No

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT

Unless otherwise indicated, references in this annual report to:

ADRs are to the American depositary receipts that evidence our ADSs;

ADSs are to our American depositary shares, each of which represents four of our ordinary shares;

CAGR are to compound annual growth rate;

China or PRC are to the People's Republic of China excluding the special administrative regions of Hong Kong and Macau;

Korea are to the Republic of Korea, or South Korea;

Korea Won are to the legal currency of South Korea;

Nasdaq are to the Nasdaq Stock Market;

NT dollar, NT dollars or NT\$ are to New Taiwan dollars, the legal currency of Taiwan;

ROC or Taiwan are to Taiwan, the Republic of China, the official name of Taiwan;

shares or ordinary shares are to our ordinary shares, with par value US\$0.01 per share;

U.S. GAAP are to generally accepted accounting principles in the United States;

U.S. dollar, U.S. dollars or US\$ are to United States dollars, the legal currency of the United States; and

we, us, our company, our, SMTC and Silicon Motion are to Silicon Motion Technology Corporation, its predecessor entities and subsidiaries including but not limited to (i) Silicon Motion, Inc., incorporated in Taiwan, or SMI Taiwan, and formerly known as Feiya Technology Corporation, (ii) Silicon Motion, Inc., a California, USA, corporation, or SMI USA, and (iii) FCI Inc., incorporated in Korea, or FCI.

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Unless otherwise indicated, our financial information presented in this annual report has been prepared in accordance with U.S. GAAP.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. These forward-looking statements include statements regarding our financial position; our expectations concerning future operations, margins, profitability, liquidity and capital resources; our business strategy and other plans and objectives for future operations; and all other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, thinks, estimates, seeks, predicts, expressions. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include those listed under Risk Factors and elsewhere in this annual report. Those factors, among others, could cause our actual results and performance to differ materially from the results and performance projected in, or implied by, the forward-looking statements. They include:

unpredictable volume and timing of customer orders, which are not fixed by contract but vary on a purchase order basis;

the loss of one or more key customers or the significant reduction, postponement, rescheduling or cancellation of orders from these customers;

general economic conditions or conditions in the semiconductor or consumer electronics market;

decreases in the overall average selling prices of our products;

changes in the relative sales mix of our products;

changes in our cost of finished goods;

the availability, pricing and timeliness of delivery of other components and raw materials used in our customers' products;

our customers' financial health, sales outlook, purchasing patterns and inventory adjustments based on consumer demand, market adoption of new technologies and general economic conditions;

our ability to successfully develop, introduce and sell innovative, new or enhanced products in a timely manner; and

the timing of new product announcements or introductions by us or by our competitors.

One or more of these factors could materially and adversely affect our operating results and financial condition in future periods. We cannot assure you that we will attain any meaningful estimates or maintain profitability or that the assumptions on which they are based are reliable.

Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this annual report. All forward-looking statements contained in this annual report are qualified by reference to this cautionary statement. As you read and consider this annual report, you should carefully understand that the forward-looking statements are not guarantees of performance or results.

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Consolidated Financial Data**

You should read the following information with our consolidated financial statements and related notes and Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report.

The selected consolidated statements of income and cash flow data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012 and 2013 are derived from our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with, and are qualified in their entirety by reference to, these consolidated financial statements and related notes. The selected consolidated statements of income and cash flow data for the years ended December 31, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009, 2010 and 2011 are derived from our audited consolidated financial statements which are not included in this annual report. These consolidated financial statements are prepared in accordance with U.S. GAAP.

Effective January 1, 2012, we changed the reporting currency of our consolidated financial statements from the NT dollar to the U.S. dollar because of a change in the functional currency of our largest subsidiary, SMI Taiwan. The business profile of SMI Taiwan had changed because the primary factors affecting business are now international in nature and the majority of cash flow are now U.S. dollar denominated. We believe that this change provides greater alignment of our reporting currency with our most significant functional currency and underlying financial performance. Unless otherwise specified, all financial information included in this Form 20-F has been stated in U.S. dollars.

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	US\$	US\$	US\$	US\$	US\$
	(in thousands, except for per share data)				
Consolidated Statements of Income Data:					
Net sales	88,540	132,793	223,845	281,370	225,308
Cost of sales	52,173	70,605	115,806	149,650	118,698
Gross profit	36,367	62,188	108,039	131,720	106,610

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Operating expenses (income):					
Research and development	34,354	33,772	40,501	50,975	46,460
Sales and marketing	12,108	11,936	14,537	15,919	13,597
General and administrative	14,221	9,652	11,323	12,156	11,250
Amortization of intangible assets	5,784	2,081	694		
Impairment of goodwill and long-lived assets ⁽¹⁾	37,398				
Gain from settlement of litigation ⁽²⁾		(1,273)			
Total operating expenses	103,865	56,168	67,055	79,050	71,307
Operating income (loss)	(67,498)	6,020	40,984	52,670	35,303

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	Year Ended December 31,				
	2009	2010	2011	2012	2013
	US\$	US\$	US\$	US\$	US\$
	(in thousands, except for per share data)				
Total non-operating income (loss)	(2,495)	(11,777)	6,232	1,664	1,845
Income (Loss) before income taxes	(69,993)	(5,757)	47,216	54,334	37,148
Income tax expense (benefit)	242	(519)	5,747	7,116	9,772
Net income (loss)	(70,235)	(5,238)	41,469	47,218	27,376
Weighted average shares outstanding:					
Basic	110,694	116,159	123,082	129,259	132,259
Diluted	110,694	116,159	129,370	134,504	134,567
Earnings (Loss) per share:					
Basic	(0.63)	(0.05)	0.34	0.37	0.21
Diluted	(0.63)	(0.05)	0.32	0.35	0.20
Earnings (Loss) per ADS ⁽³⁾ :					
Basic	(2.54)	(0.18)	1.35	1.46	0.83
Diluted	(2.54)	(0.18)	1.28	1.40	0.81

- (1) Impairment of goodwill and long-lived assets relating to FCI and Centronix (selected parts of Centronix mobile TV business of Korea Information Engineering Services Co., Ltd.) acquisitions.
- (2) Gain from favorable settlements of litigation with Advanced Semiconductor Engineering Inc. in 2010.
- (3) Each ADS represents four ordinary shares.

	As of December 31,				
	2009	2010	2011	2012	2013
	US\$	US\$	US\$	US\$	US\$
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	61,006	53,889	88,763	154,734	161,720
Other current assets	36,167	63,211	90,817	103,678	84,819
Working capital	72,634	89,333	136,856	202,015	205,872
Long-term investments	491	185	178	178	133
Property and equipment, net	24,171	25,507	24,728	23,386	30,195
Goodwill and intangible assets, net	38,077	35,996	35,458	35,472	35,474
Other non-current assets	8,153	8,716	7,382	4,298	4,422
Total assets	168,065	187,504	247,326	321,746	316,763
Total liabilities	28,315	30,143	45,826	59,480	46,066
Total shareholders equity	139,750	157,361	201,500	262,266	270,697

Consolidated Cash Flow Data:

Net cash provided by (used in) operating activities	9,456	(11,987)	54,261	69,236	49,128
Net cash provided by (used in) investing activities	(1,486)	(9,894)	(13,947)	(4,749)	(12,815)
Net cash provided by (used in) financing activities	556		2,294	224	(29,493)
Depreciation and amortization	5,011	4,775	5,580	5,881	6,429
Capital expenditures	(3,053)	(4,339)	(4,916)	(4,280)	(12,772)

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Risk Factors

Because our operating results for any period could be adversely affected by a number of factors and may therefore fluctuate significantly, our annual and quarterly operating results are difficult to predict.

Our operating results have fluctuated in the past and could do so in the future. Fluctuations in our operating results may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this Risk Factors section:

continuing downward pressure on the average selling prices of our products caused by intense competition in our industry;

decreases in demand for consumer electronics products, including smartphones and tablets, into which our semiconductor solutions are directly or indirectly incorporated;

our customers' financial health, sales outlook, purchasing patterns and inventory adjustments based on consumer demand, market adoption of new technologies and general economic conditions;

the loss of one or more key customers or the significant reduction, postponement, rescheduling or cancellation of orders from these customers;

changes in the seasonality of our sales, which generally has a tendency toward increased sales in the second half of each year;

our ability to develop or acquire, introduce, market and transition to volume production new or enhanced products and technologies in a cost-effective and timely manner;

changes in supply and availability of flash memory from fluctuations in fab capacity and fabs operating at lower utilization rates;

changes in the relative sales mix of our products;

changes in foreign currency exchange rates;