

MONOLITHIC POWER SYSTEMS INC  
Form 10-K  
March 02, 2015

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-K**

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**(Mark One)**

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

**For the fiscal year ended December 31, 2014**

**or**

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

**Commission file number: 000-51026**

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**Monolithic Power Systems, Inc.**

(Exact name of registrant as specified in its charter)





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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

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

The number of shares of the registrant's stock outstanding as of June 30, 2014 was 38,774,391. The closing price of the registrant's common stock on the Nasdaq Global Select Market on June 30, 2014 was \$42.35. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based upon the closing price of the Common Stock on the Nasdaq Global Select Market on June 30, 2014 was \$946.0 million.\*

There were 39,290,882 shares of the registrant's common stock issued and outstanding as of February 23, 2015.

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## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2014.

Excludes 16,437,858 shares of the registrant's common stock held by executive officers, directors and stockholders whose ownership exceeds 5% ("affiliates") of the Common Stock outstanding at June 30, 2014. Exclusion of such \*shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

**Liabilities and Stockholders Equity**

Losses and loss adjustment expenses

\$53,271 \$51,690

Unearned premiums

164,031 187,290

Advance premiums

16,854 4,983

Assumed reinsurance balances payable

1,087 1,084

Accrued expenses (Note 3 Variable Interest Entity)

10,150 6,316

Income taxes payable

2,259

Long-term debt

127,397 129,429

Other liabilities (Note 3 Variable Interest Entity)

17,641 18,472

Total liabilities

392,690 399,264

Commitments and contingencies (Note 13)

Stockholders' equity:

7% Series A cumulative convertible preferred stock (no par value, 1,500,000 shares authorized, no shares issued or outstanding)

Series B junior participating preferred stock (no par value, 400,000 shares authorized, no shares issued or outstanding)

Preferred stock (no par value, 18,100,000 shares authorized, no shares issued or outstanding)

Common stock (no par value, 40,000,000 shares authorized, 9,937,756 and 10,292,256 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively)

Additional paid-in capital

18,549 23,879

Retained income

218,689 215,634

Accumulated other comprehensive loss, net of taxes

(1) (1,791)

Total stockholders' equity

237,237 237,722

Total liabilities and stockholders' equity

\$629,927 \$636,986

See accompanying Notes to Consolidated Financial Statements.



**HCI GROUP, INC. AND SUBSIDIARIES****Consolidated Statements of Income****(Unaudited)****(Dollar amounts in thousands, except per share amounts)**

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2016</b>                             | <b>2015</b> |
| <b>Revenue</b>   |   |             |
| Gross premiums earned  | \$ 98,819                               | \$ 109,567  |
| Premiums ceded   | (40,372)                                | (27,839)    |
| Net premiums earned  | 58,447                                  | 81,728      |
| Net investment income  | 1,490                                   | 1,409       |
| Net realized investment losses   | (75)                                    | (193)       |
| Net other-than-temporary impairment losses recognized in income:       |   |             |
| Total other-than-temporary impairment losses                           | (408)                                   | (1,690)     |
| Portion of loss recognized in other comprehensive income, before taxes | (267)                                   |             |
| Net other-than-temporary impairment losses                             | (675)                                   | (1,690)     |
| Policy fee income  | 1,007                                   | 541         |
| Gain on repurchases of convertible senior notes                        | 153                                     |             |
| Other  | 400                                     | 415         |
| Total revenue  | 60,747                                  | 82,210      |
| <b>Expenses</b>  |   |             |
| Losses and loss adjustment expenses                                    | 27,080                                  | 19,039      |
| Policy acquisition and other underwriting expenses                     | 11,110                                  | 9,799       |
| Salaries and wages   | 5,384                                   | 4,898       |
| Interest expense   | 2,829                                   | 2,661       |
| Other operating expenses   | 4,647                                   | 4,767       |
| Total expenses   | 51,050                                  | 41,164      |
| Income before income taxes   | 9,697                                   | 41,046      |
| Income tax expense   | 3,641                                   | 15,668      |
| Net income   | \$ 6,056                                | \$ 25,378   |
| Basic earnings per share   | \$ 0.60                                 | \$ 2.50     |
| Diluted earnings per share   | \$ 0.60                                 | \$ 2.21     |

|                     |         |         |
|---------------------|---------|---------|
| Dividends per share | \$ 0.30 | \$ 0.30 |
|---------------------|---------|---------|

See accompanying Notes to Consolidated Financial Statements.

**HCI GROUP, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****(Unaudited)****(Amounts in thousands)**

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2016</b>                             | <b>2015</b> |
| Net income   | \$ 6,056                                | \$ 25,378   |
| Other comprehensive income:                            |   |             |
| Change in unrealized gain on investments:              |   |             |
| Net unrealized gain arising during the period          | 2,163                                   | 737         |
| Other-than-temporary impairment loss charged to income | 675                                     | 1,690       |
| Call and repayment losses charged to investment income | 1                                       | 36          |
| Reclassification adjustment for net realized gains     | 75                                      | 193         |
| Net change in unrealized gain                          | 2,914                                   | 2,656       |
| Deferred income taxes on above change                  | (1,124)                                 | (1,025)     |
| Total other comprehensive income, net of income taxes  | 1,790                                   | 1,631       |
| Comprehensive income                                   | \$ 7,846                                | \$ 27,009   |

See accompanying Notes to Consolidated Financial Statements.

**HCI GROUP, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(Unaudited)****(Amounts in thousands)**

|  | <b>Three Months Ended<br/>March 31,</b> |               |
|--|---|---------------|
|  | <b>2016</b>                             | <b>2015</b>   |
| <b>Cash flows from operating activities:</b>   |   |               |
| Net income   | \$ 6,056                                | \$ 25,378     |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |   |               |
| Stock-based compensation   | 981                                     | 1,408         |
| Net amortization of premiums on investments in fixed-maturity securities                 | 102                                     | 230           |
| Depreciation and amortization  | 1,375                                   | 1,289         |
| Deferred income tax benefit  | (408)                                   | (746)         |
| Net realized investment losses   | 75                                      | 193           |
| Other-than-temporary impairment losses   | 675                                     | 1,690         |
| Income from real estate investments  | (287)                                   | (44)          |
| Gain on repurchases of convertible senior notes  | (153)                                   |               |
| Net loss from limited partnership interests  | 869                                     | 265           |
| Net loss on disposal or sale of real estate investments                                  |   | 26            |
| Foreign currency remeasurement gain  | (1)                                     | (4)           |
| <b>Changes in operating assets and liabilities:</b>                                      |   |               |
| Premiums receivable  | 930                                     | (2,692)       |
| Advance premiums   | 11,871                                  | 15,328        |
| Prepaid reinsurance premiums   | 23,824                                  | 18,024        |
| Accrued interest and dividends receivable  | (44)                                    | (392)         |
| Other assets   | (5,592)                                 | (5,811)       |
| Assumed reinsurance balances payable   | 3                                       | 9,433         |
| Deferred policy acquisition costs  | 2,149                                   | (49)          |
| Losses and loss adjustment expenses  | 1,581                                   | 2,269         |
| Unearned premiums  | (23,259)                                | (28,113)      |
| Income taxes   | 3,975                                   | 16,131        |
| Accrued expenses and other liabilities   | 2,569                                   | 5,190         |
| <b>Net cash provided by operating activities</b>   | <b>27,291</b>                           | <b>59,003</b> |
| <b>Cash flows from investing activities:</b>   |   |               |
| Investment in real estate under acquisition, development, and construction arrangement   |   | (479)         |
| Investments in limited partnership interests   | (1,668)                                 | (19,510)      |
| Investment in unconsolidated joint venture   |   | (270)         |
| Purchase of property and equipment   | (272)                                   | (227)         |
| Purchase of real estate investments  | (138)                                   | (45)          |
| Purchase of fixed-maturity securities  | (4,930)                                 | (65,271)      |
| Purchase of equity securities  | (4,072)                                 | (19,201)      |

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|   |         |          |
|---|---------|----------|
| Proceeds from sales of fixed-maturity securities                            | 1,100   | 2,234    |
| Proceeds from calls, repayments and maturities of fixed-maturity securities | 40      | 985      |
| Proceeds from sales of equity securities                                    | 4,354   | 4,755    |
| Proceeds from sales of real estate investments                              |         | 5        |
| Net cash used in investing activities                                       | (5,586) | (97,024) |

**HCI GROUP, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows, continued****(Unaudited)****(Amounts in thousands)**

|   | <b>Three Months Ended</b> |                   |
|---|---------------------------|-------------------|
|   | <b>March 31,</b>          |                   |
|   | <b>2016</b>               | <b>2015</b>       |
| <b>Cash flows from financing activities:</b>                                |                           |                   |
| Cash dividends paid   | (3,188)                   | (3,227)           |
| Cash dividends received under share repurchase forward contract             | 187                       | 187               |
| Proceeds from issuance of long-term debt                                    | 9,200                     |                   |
| Repurchases of convertible senior notes                                     | (11,347)                  |                   |
| Repayment of debt   | (37)                      |                   |
| Repurchases of common stock   | (212)                     | (595)             |
| Repurchases of common stock under share repurchase plan                     | (6,007)                   | (1,610)           |
| Debt issuance costs   | (177)                     |                   |
| Tax benefits on stock-based compensation                                    | 50                        | 259               |
| <b>Net cash used in financing activities</b>                                | <b>(11,531)</b>           | <b>(4,986)</b>    |
| Effect of exchange rate changes on cash                                     | 1                         | 4                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>                 | <b>10,175</b>             | <b>(43,003)</b>   |
| Cash and cash equivalents at beginning of period                            | 267,738                   | 314,416           |
| <b>Cash and cash equivalents at end of period</b>                           | <b>\$ 277,913</b>         | <b>\$ 271,413</b> |
| <b>Supplemental disclosure of cash flow information:</b>                    |                           |                   |
| Cash paid for income taxes  | \$ 23                     | \$                |
| Cash paid for interest  | \$ 2,850                  | \$ 2,801          |
| <b>Non-cash investing and financing activities:</b>                         |                           |                   |
| Unrealized gain on investments in available-for-sale securities, net of tax | \$ 1,790                  | \$ 1,631          |

See accompanying Notes to Consolidated Financial Statements.

**HCI GROUP, INC. AND SUBSIDIARIES****Consolidated Statement of Stockholders Equity****Three Months Ended March 31, 2016****(Unaudited)****(Dollar amounts in thousands)**

|                       | <b>Series A Preferred Stock</b> | <b>Common Stock</b> | <b>Additional</b> | <b>Retained</b>  | <b>Accumulated</b>   | <b>Total</b>        |            |
|-----------------------|---------------------------------|---------------------|-------------------|------------------|----------------------|---------------------|------------|
|                       | <b>Shares</b>                   | <b>Shares</b>       | <b>Paid-In</b>    | <b>Income</b>    | <b>Other</b>         | <b>Stockholders</b> |            |
|                       | <b>Amount</b>                   | <b>Amount</b>       | <b>Capital</b>    | <b>Loss, Net</b> | <b>Comprehensive</b> | <b>Equity</b>       |            |
|                       |                                 |                     |                   | <b>of Tax</b>    | <b>Income</b>        |                     |            |
| Balance at            |                                 |                     |                   |                  |                      |                     |            |
| December 31, 2015     | \$                              | 10,292,256          | \$                | \$ 23,879        | \$ 215,634           | \$ (1,791)          | \$ 237,722 |
| Net income            |                                 |                     |                   |                  | 6,056                |                     | 6,056      |
| Total other           |                                 |                     |                   |                  |                      |                     |            |
| comprehensive         |                                 |                     |                   |                  |                      |                     |            |
| income, net of income |                                 |                     |                   |                  |                      |                     |            |
| taxes                 |                                 |                     |                   |                  |                      |                     |            |
|                       |                                 |                     |                   |                  |                      |                     |            |