

ALPHA & OMEGA SEMICONDUCTOR LTD

FORM 8-K (Current report filing)

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Address	475 OAKMEAD PARKWAY SUNNYVALE, CA 94085
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SIC Code	3674 - Semiconductors and Related Devices
Industry	Semiconductors
Sector	Technology
Fiscal Year	06/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): August 9, 2017

Alpha and Omega Semiconductor Limited

(Exact Name of Registrant as Specified in Charter)

Bermuda
(State or Other Jurisdiction of Incorporation)

001-34717
(Commission File Number)

77-0553536
(I.R.S. Employer Identification Number)

**Clarendon House
2 Church Street
Hamilton HM 11
Bermuda**

(Address of Principal Executive Offices) (Zip Code)

(408) 830-9742
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

The information in Item 2.02 of this Current Report, including the accompanying exhibit, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of Section 18. The information in Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language contained in such filing.

On August 9, 2017, Alpha and Omega Semiconductor Limited (the “Company”) issued a press release regarding its financial results for its fiscal fourth quarter and fiscal year ended June 30, 2017. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release dated August 9, 2017

99.2 Script for Earnings Call

SIGNATURE

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 hereunto duly authorized.

Alpha and Omega Semiconductor Limited

Date: August 9, 2017

By: /s/ Yifan Liang

Yifan Liang

Chief Financial Officer and Corporate Secretary

Alpha and Omega Semiconductor Reports Financial Results for the Fiscal Fourth Quarter and the Fiscal Year Ended June 30, 2017

SUNNYVALE, Calif., Aug. 09, 2017 (GLOBE NEWSWIRE) -- Alpha and Omega Semiconductor Limited (“AOS”) (NASDAQ:AOSL), today reported financial results for the fiscal fourth quarter and the fiscal year ended June 30, 2017.

The results for the fiscal fourth quarter of 2017 ended June 30, 2017 were as follows:

**GAAP Financial Comparison
Quarterly**

(in millions except percentage and per share data)
(unaudited)

	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Revenue	\$ 98.0	\$ 93.3	\$ 91.4
Gross Margin	25.6%	24.3%	21.3%
Operating Income	\$ 3.6	\$ 3.0	\$ 2.6
Net Income attributable to AOS	\$ 4.1	\$ 3.6	\$ 1.9
Income Per Share attributable to AOS - Diluted	\$ 0.17	\$ 0.14	\$ 0.08

Our non-GAAP measures exclude the effect of share-based compensation expenses in each of the periods presented, the results were as set forth below (see detailed reconciliation included at the end of this press release).

**Non-GAAP Financial Comparison
Quarterly**

(in millions except percentage and per share data)
(unaudited)

	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Revenue	\$ 98.0	\$ 93.3	\$ 91.4
Gross Margin	26.0%	24.6%	21.5%
Operating Income	\$ 5.6	\$ 4.7	\$ 3.8
Net Income attributable to AOS	\$ 6.2	\$ 5.3	\$ 3.2
Income Per Share attributable to AOS - Diluted	\$ 0.25	\$ 0.21	\$ 0.13

GAAP and Non-GAAP Annual Financial Results

The results for the fiscal year ended June 30, 2017 were as follows:

- Revenue was \$383.3 million, an increase of 14.2% from \$335.7 million for the prior year.
- GAAP gross margin was 24.0%, compared to 19.6% for the prior year. Non-GAAP gross margin was 24.2%, compared to 19.8% for the prior year.
- GAAP operating income was \$13.1 million, compared to operating income of \$1.5 million for the prior year. Non-GAAP operating income was \$19.8 million, compared to \$6.3 million for the prior year.
- GAAP net income attributable to AOS was \$13.8 million, compared to net loss attributable to AOS of \$2.9 million for the prior year. Non-GAAP net income attributable to AOS was \$20.5 million, compared to non-GAAP net income attributable to AOS of \$1.8 million for the prior year.
- GAAP diluted income per share attributable to AOS was \$0.56, compared to diluted loss per share attributable to AOS of \$0.13 for the prior year. Non-GAAP diluted income per share attributable to AOS was \$0.83, compared to non-GAAP diluted income attributable to AOS of \$0.08 for the prior year.

On a non-GAAP basis excluding the effect of share-based compensation expenses in each of the periods presented, and impairment of long-lived assets in the quarter ended December 31, 2015, the results were as set forth in the attached schedules (see detailed reconciliation included at the end of this press release).

“AOS delivered another strong quarter with record quarterly revenue of \$98 million and the ninth consecutive quarter of gross margin expansion, driven by healthy demand for our diversified new products. We closed fiscal year 2017 with record annual revenue of \$383 million and a significant increase in earnings per share from a year ago,” said Dr. Mike Chang, the chairman and CEO of the company. “In response to current environment of tight supply, we are taking active measures to meet customer demand, including expanding our manufacturing capacity starting from the September quarter. Looking ahead, we are confident that we can continue to expand our business and improve profitability as we are seeing more sustainable growth opportunities.”

Business Outlook for Fiscal Q1 Ending September 30, 2017

The following forward-looking statements are based on management's current expectations and actual results may differ materially. AOS undertakes no obligation to update these statements.

- Revenue is expected to be between \$101 million and \$105 million.
- GAAP gross margin is expected to be in the range of 25.5% plus or minus 1%.
- GAAP operating expenses are expected to be in the range of \$22 million plus or minus \$1 million.
- Tax expense is expected to be approximately \$1.1 million to \$1.3 million.
- Loss attributable to non-controlling interest is expected to be approximately \$1.6 million.

The above projections on GAAP gross margin and GAAP operating expenses include estimated share-based compensation expense of \$2.0 million to \$2.3 million.

Conference Call and Webcast

AOS plans to conduct an investor teleconference and live webcast to discuss the financial results for the fiscal fourth quarter and the fiscal year ended June 30, 2017 today, August 9, 2017 at 2:00 p.m. PT / 5:00 p.m. ET. To participate in the live call, analysts and investors should dial 877-312-8797 (or 253-237-1194 if outside the U.S.). To access the live webcast and the subsequent replay of the conference call, which will be available for seven days after the live call, go to the "Events & Presentations" section of the company's investor relations website, <http://investor.aosmd.com>. In addition, a copy of the script of prepared remarks by CEO and CFO at the investor teleconference and webcast is available prior to the call at the Company's investor relations website.

Forward Looking Statements

This press release contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of future performance based on management's judgment, beliefs, current trends, and anticipated product performance. These forward-looking statements include, without limitation, statements relating to projected amount of revenue, gross margin, operating income (loss), income tax expenses, net income (loss), noncontrolling interest, and share-based compensation expenses, our ability and strategy to develop new products, increase manufacturing capacity, expand our sales, maintain optimal capacity and achieve sustained growth and profitability, and other information under the section entitled "Business Outlook for Fiscal Q1 Ending September 30, 2017". Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include, but are not limited to, the decline of the PC industry and our ability to respond to such decline, our ability to introduce or develop new and enhanced products that achieve market acceptance, the actual product performance in volume production, the quality and reliability of our product, our ability to achieve design wins, the general business and economic conditions, the state of semiconductor industry and seasonality of our markets, our ability to maintain factory utilization at a desirable level, our ability to successfully operate our joint venture in China, and other risks as described in our SEC filings, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 to be filed by AOS. Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements. All information provided in this press release is as of today's date, unless otherwise stated, and AOS undertakes no duty to update such information, except as required under applicable law.

Use of Non-GAAP Financial Measures

To supplement our unaudited consolidated financial statements presented on a basis consistent with U.S. GAAP, we disclose certain non-GAAP financial measures, including non-GAAP gross profit, gross margin, operating income (loss), net income (loss) and diluted earnings per share ("EPS"). These supplemental measures exclude share-based compensation expenses and impairment of long-lived assets. We believe that non-GAAP financial measures can provide useful information to both management and investors by excluding certain expenses that are not indicative of our core operating results. In addition, our management uses non-GAAP measures to compare our performance relative to forecasts and to benchmark our performance externally against competitors. Our use of non-GAAP financial measures has certain limitations in that the non-GAAP financial measures we use may not be directly comparable to those reported by other companies. For example, the term used in this press release, non-GAAP net income (loss), does not have a standardized meaning. Other companies may use the same or similarly named measures, but exclude different items, which may not provide investors with a comparable view of our performance in relation to other companies. In addition, different items may be excluded in non-GAAP measures presented in different periods. For example, we have previously presented non-GAAP measures that excluded joint venture related costs for the quarter ended and the fiscal year ended June 30, 2016, while exclusion of such costs for the period is not presented in this press release as the management no longer believes that such non-GAAP presentation provides useful information to investors. We believe that the change in such presentation is not significant as the excluded joint venture related costs were \$137,000 and \$241,000 in non-GAAP net income and non-GAAP operating income for the quarterly period ended June 30, 2016, respectively, and \$317,000 and \$421,000 in non-GAAP net income and non-GAAP operating income for the fiscal year ended June 30, 2016, respectively. We seek to compensate for this limitation by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable U.S. GAAP measures in the tables attached to this press release. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures.

About Alpha and Omega Semiconductor

Alpha and Omega Semiconductor Limited, or AOS, is a designer, developer and global supplier of a broad range of power semiconductors, including a wide portfolio of Power MOSFET, IGBT and Power IC products. AOS has developed extensive intellectual property and technical knowledge that encompasses the latest advancements in the power semiconductor industry, which enables it to introduce innovative products to address the increasingly complex power requirements of advanced electronics. AOS differentiates itself by integrating its Discrete and IC semiconductor process technology, product design, and advanced packaging know-how to develop high performance power management solutions. AOS's portfolio of products targets high-volume applications, including portable computers, flat panel TVs, LED lighting, smart phones, battery packs, consumer and industrial motor controls and power supplies for TVs, computers, servers and telecommunications equipment. For more information, please visit <http://www.aosmd.com>. For investor relations, please contact So-Yeon Jeong at investors@aosmd.com.

The following unaudited consolidated financial statements are prepared in accordance with U.S. GAAP.

Alpha and Omega Semiconductor Limited
Condensed Consolidated Statements of Operations
(in thousands, except percentages and per share amounts)
(unaudited)

	Three Months Ended			Fiscal Year Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	\$98,007	\$93,281	\$91,410	\$383,337	\$335,661
Cost of goods sold	72,921	70,584	71,940	291,516	269,839
Gross profit	25,086	22,697	19,470	91,821	65,822
Gross margin	25.6%	24.3%	21.3%	24.0%	19.6%
Operating expenses:					
Research and development	7,907	7,625	6,977	29,835	26,006
Selling, general and administrative	13,618	12,067	9,939	48,842	37,874
Impairment of long-lived assets	—	—	—	—	432
Total operating expenses	21,525	19,692	16,916	78,677	64,312
Operating income	3,561	3,005	2,554	13,144	1,510
Interest income and other income (loss), net	52	(74)	(163)	(141)	(498)
Interest expense	(19)	(22)	(1)	(91)	(23)
Income before income taxes	3,594	2,909	2,390	12,912	989
Income tax expense	807	523	573	3,652	4,021
Net income (loss) including noncontrolling interest	2,787	2,386	1,817	9,260	(3,032)
Net loss attributable to noncontrolling interest	(1,332)	(1,170)	(104)	(4,569)	(104)
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	<u>\$ 4,119</u>	<u>\$ 3,556</u>	<u>\$ 1,921</u>	<u>\$ 13,829</u>	<u>\$ (2,928)</u>
Net income (loss) per common share attributable to Alpha and Omega Semiconductor Limited					
Basic	\$ 0.17	\$ 0.15	\$ 0.08	\$ 0.59	\$ (0.13)
Diluted	\$ 0.17	\$ 0.14	\$ 0.08	\$ 0.56	\$ (0.13)
Weighted average number of common share attributable to Alpha and Omega Semiconductor Limited used to compute net income (loss) per share:					
Basic	23,917	23,675	22,608	23,526	22,452
Diluted	24,960	24,951	23,630	24,826	22,452

Alpha and Omega Semiconductor Limited
Condensed Consolidated Balance Sheets
(in thousands, except par value per share)
(unaudited)

	June 30, 2017	June 30, 2016
ASSETS		
Current assets:		

Cash and cash equivalents	\$ 115,708	\$ 87,774
Restricted cash	221	188
Accounts receivable, net	28,410	26,594
Inventories	76,254	68,848
Other current assets	4,883	4,526
Total current assets	225,476	187,930
Property, plant and equipment, net	139,387	116,084
Land use rights, net	8,804	—
Deferred income tax assets - long term	4,594	12,132
Other long-term assets	20,147	2,359
Total assets	<u>\$ 398,408</u>	<u>\$ 318,505</u>

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable	\$ 63,134	\$ 42,718
Accrued liabilities	28,386	22,590
Income taxes payable	1,748	2,356
Deferred margin	814	997
Capital leases	828	819
Total current liabilities	94,910	69,480
Income taxes payable - long term	922	1,577
Deferred income tax liabilities	2,659	2,973
Capital leases - long term	866	1,695
Other long term liabilities	502	741
Total liabilities	<u>99,859</u>	<u>76,466</u>
Equity:		
Preferred shares, par value \$0.002 per share:		
Authorized: 10,000 shares; Issued and outstanding: none at June 30, 2017 and 2016	—	—
Common shares, par value \$0.002 per share:		
Authorized: 50,000 shares; Issued and outstanding: 29,600 shares and 23,992 shares at June 30, 2017 and 28,405 shares and 22,754 shares at June 30, 2016	59	57
Treasury shares at cost; 5,608 shares at June 30, 2017 and 5,651 shares at June 30, 2016	(49,836)	(50,199)
Additional paid-in capital	206,332	191,444
Accumulated other comprehensive income	306	769
Retained earnings	113,909	100,071
Total Alpha and Omega Semiconductor Limited shareholders' equity	270,770	242,142
Noncontrolling interest	27,779	(103)
Total equity	<u>298,549</u>	<u>242,039</u>
Total liabilities and equity	<u>\$ 398,408</u>	<u>\$ 318,505</u>

Alpha and Omega Semiconductor Limited

Reconciliation of Condensed Consolidated GAAP Financial Measures to Non-GAAP Financial Measures

(in thousands, except percentages and per share data)

(unaudited)

	Three Months Ended			Fiscal Year Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
GAAP gross profit	\$ 25,086	\$ 22,697	\$ 19,470	\$ 91,821	\$ 65,822
Share-based compensation	420	222	161	1,041	636
Non-GAAP gross profit	<u>\$ 25,506</u>	<u>\$ 22,919</u>	<u>\$ 19,631</u>	<u>\$ 92,862</u>	<u>\$ 66,458</u>
<i>Non-GAAP gross margin as a % of revenue</i>	26.0%	24.6%	21.5%	24.2%	19.8%
GAAP operating income	\$ 3,561	\$ 3,005	\$ 2,554	\$ 13,144	\$ 1,510

Share-based compensation	2,049	1,715	1,266	6,634	4,313
Impairment of long-lived assets	—	—	—	—	432
Non-GAAP operating income	<u>\$ 5,610</u>	<u>\$ 4,720</u>	<u>\$ 3,820</u>	<u>\$ 19,778</u>	<u>\$ 6,255</u>
<i>Non-GAAP operating income as a % of revenue</i>	5.7%	5.1%	4.2%	5.2%	1.9%
GAAP net income (loss) attributable to AOS	\$ 4,119	\$ 3,556	\$ 1,921	\$ 13,829	\$ (2,928)
Share-based compensation	2,049	1,715	1,266	6,634	4,313
Impairment of long-lived assets	—	—	—	—	432
Non-GAAP net income attributable to AOS	<u>\$ 6,168</u>	<u>\$ 5,271</u>	<u>\$ 3,187</u>	<u>\$ 20,463</u>	<u>\$ 1,817</u>
<i>Non-GAAP net income attributable to AOS as a % of revenue</i>	6.3%	5.7%	3.5%	5.3%	0.5%
GAAP net income (loss) attributable to AOS	\$ 4,119	\$ 3,556	\$ 1,921	\$ 13,829	\$ (2,928)
Share-based compensation	2,049	1,715	1,266	6,634	4,313
Impairment of long-lived assets	—	—	—	—	432
Amortization and depreciation	7,040	6,885	6,599	27,188	27,303
Interest expense (income), net	(18)	(54)	(13)	(140)	(21)
Income tax expense	807	523	573	3,652	4,021
EBITDA	<u>\$ 13,997</u>	<u>\$ 12,625</u>	<u>\$ 10,346</u>	<u>\$ 51,163</u>	<u>\$ 33,120</u>
GAAP diluted net income(loss) per share attributable to AOS	\$ 0.17	\$ 0.14	\$ 0.08	\$ 0.56	\$ (0.13)
Share-based compensation	0.08	0.07	0.05	0.27	0.19
Impairment of long-lived assets	—	—	—	—	0.02
Non-GAAP diluted net income per share attributable to AOS	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 0.13</u>	<u>\$ 0.83</u>	<u>\$ 0.08</u>
Shares used to compute basic per share	23,917	23,675	22,608	23,526	22,452
Shares used to compute dilute per share	24,960	24,951	23,630	24,826	23,114

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Alpha and Omega Semiconductor Limited
Prepared Remarks of Investor Conference Call
for the Quarter Ended June 30, 2017

August 9, 2017

So-Yeon Jeong (Moderator):

Good afternoon, everyone, and welcome to the Alpha and Omega Semiconductor's conference call for fiscal fourth quarter and year-end financial results. Our fiscal year ended June 30, 2017. This is So-Yeon Jeong, Investor Relations representative for the company. With me today are Dr. Mike Chang, our CEO, and Yifan Liang, our CFO. This call is being recorded and broadcasted live over the Web and can be accessed for seven days following the call via the link in the Investor Relations section of our website at www.aosmd.com.

The earnings release was distributed by globe newswire today, August 9, 2017, after the market closed. The release is also posted on the company's website. Our earnings release and this presentation include certain non-GAAP financial measures. We use non-GAAP measures because we believe they provide useful information about our operating performance that should be considered by investors in conjunction with the GAAP measures that we provide. A reconciliation of these non-GAAP measures to comparable GAAP measures is included in our earnings release.

We would like to remind you that during the course of this conference call, we will make forward-looking statements, including discussions of business outlook and financial projections. These forward-looking statements are based on management's current expectations and involve risks and uncertainties that could cause our actual results to differ materially from such expectations. For a more detailed description of these risks and uncertainties, please refer to our recent and subsequent filings with the SEC. We assume no obligations to update the information provided in today's call.

Now, I'll turn the discussion over to Yifan, our CFO, to provide an overview of the fourth fiscal quarter and the fiscal year 2017 financial results.

Yifan Liang (Chief Financial Officer):

Thank you, So-Yeon. Good afternoon and thank you for joining us. To begin, I will discuss financial results for the quarter and for the fiscal year ended June 30, 2017. Then I'll turn the call over to Mike, our CEO, who will review the company's business highlights. After that I will follow-up with our guidance for the next quarter. Finally, we'll reserve time for questions-and-answers.

Revenue for the June quarter was \$98.0 million, an increase of 5.1% from the prior quarter and an increase of 7.2% from the same quarter last year. Our diversified new products continue to show growing momentum.

In terms of product mix, MOSFET revenue was \$76.8 million, up 8.4% sequentially and up 10.8% year-over-year. Power IC revenue was \$18.2 million, down 5.6% from the prior quarter and down 5.0% from a year ago. Service revenue was approximately \$3.0 million as compared to \$3.2 million for the prior quarter and \$2.9 million for the same quarter last year.

Regarding the segment mix, the June quarter's Computing segment represented 40.9% of the total revenue, Consumer 24.6%, Power Supply and Industrial 17.9%, Communications 13.3%, Service 3.1%, and others 0.2%.

For the fiscal year 2017, revenue was \$383.3 million, up 14.2% from last fiscal year.

Gross margin for the June quarter was 25.6%, as compared to 24.3% in the prior quarter and 21.3% for the same quarter last year. The increase in gross margin quarter-over-quarter was mainly driven by the improved product mix.

For the fiscal year 2017, gross margin was 24.0% as compared to last fiscal year's gross margin of 19.6%, representing an increase of 440 basis points. The increase in gross margin year-over-year was primarily due to the better product mix and higher utilization.

Operating expenses for the quarter were \$21.5 million, compared to \$19.7 million for the prior quarter and \$16.9 million for the same quarter last year. The increase in operating expenses quarter-over-quarter was mainly due to the growing expenses associated with our Chongqing joint venture, higher professional fees and legal fees related to the fiscal year-end audit and other business activities, increased R&D engineering expenses to support our growth, and higher share-based compensation charge.

Operating expenses for the fiscal year 2017 were \$78.7 million compared to \$64.3 million for the fiscal year 2016. During the fiscal year 2017, we strengthened our R&D, Sales and Marketing teams to support new product introduction and customer penetration. The variable compensation also increased along with the improved business and financial results. We think that our current R&D and Sales and Marketing structure can support the further growth in our core business. On the other hand, we will continue to invest in our Chongqing joint venture to bring up the production.

Income tax expense was \$0.8 million for the quarter as compared to \$0.5 million for the prior quarter. Income tax expense for the fiscal year was \$3.7 million compared to \$4.0 million for the last fiscal year.

Net income attributable to AOS for the quarter was approximately \$4.1 million or 17 cents earnings per share, as compared to 14 cents earnings per share for the prior quarter and 8 cents earnings per share for the same quarter last year. Net income in the June quarter included \$2.0 million share-based compensation charge as compared to \$1.7 million in the prior quarter. Net income attributable to AOS for the fiscal year was \$13.8 million or 56 cents earnings per share as compared to \$2.9 million loss or 13 cents loss per share for the prior fiscal year.

Non-GAAP EPS attributable to AOS for the June quarter was 25 cents earnings per share as compared to 21 cents earning per share for the prior quarter and 13 cents earnings per share for the same quarter last year. Non-GAAP EPS attributable to AOS for the fiscal year was 83 cents earnings per share as compared to 8 cents earnings per share for the prior year.

We continue to generate positive cash flow. Cash flow from operations was \$13.5 million for the June quarter compared to \$11.0 million for the prior quarter and \$13.8 million for the same quarter last year. Cash flow from operations for the year was \$42.6 million compared to \$40.2 million for the prior fiscal year.

EBITDAS for the June quarter was \$14.0 million compared to \$12.6 million for the prior quarter and \$10.3 million for the same quarter last year. EBITDAS for the year was \$51.2 million as compared to \$33.1 million in fiscal year 2016.

Moving on to the balance sheet.

We completed the June quarter with cash and cash equivalents balance of \$115.7 million, as compared to \$116.2 million at the end of last quarter and \$87.8 million a year ago.

Net trade receivables were \$28.4 million, as compared to \$22.5 million at the end of last quarter and \$26.6 million during the same quarter last year. Day Sales Outstanding for the quarter was 32 days compared to 35 days in the prior quarter.

Net inventory was \$76.3 million at the quarter-end, up from \$73.3 million for last quarter and from \$68.8 million for the prior year. Average days in inventory were 92 days, flat as compared to the prior quarter.

Net Property, Plant and Equipment balance was \$139.4 million, as compared to \$117.3 million last quarter and \$116.1 million for the prior year. Capital expenditures were \$14.8 million for the quarter. Capital expenditures for the fiscal year were \$55.6 million, including \$30.8 million from AOS and \$24.8 million from our Chongqing joint venture.

With that, now I would like to turn the call over to our CEO, Dr. Mike Chang, who will provide the business highlights for the quarter.

Mike Chang (Chief Executive Officer):

I am pleased to report further improvement in the June quarter with healthy sequential and year-over-year growth in revenue, gross margin and profitability as our turnaround is gaining strength. Driven by the strong demand for our diversified new products, AOS delivered record quarterly revenue of \$98 million, and exited fiscal 2017 with great momentum and confidence, setting record revenue of \$383 million. We also achieved the ninth consecutive quarter of gross margin expansion led by a favorable product mix. The gross margin of 25.6% came in above the high end of the guidance ranges, marking 130 basis points sequential increase and 430 basis points year-over-year growth. We posted \$0.25 earnings per share on a Non-GAAP basis for the quarter, which brought a solidly profitable closing to the fiscal year 2017 with a Non-GAAP EPS of \$0.83.

The tight supply conditions remained in the June quarter. We took proactive and solid steps to ease the capacity constraints by adding some key tools and expediting transfer activities during the June quarter. While these actions are expected to gradually alleviate capacity constraints starting from the September quarter, we observe that the rising demand for our products will outpace our capacity for the next few quarters. As the tight supply conditions prolonged, we start to see the cost increase in raw materials and foundry services. Not all of these increases can be passed down to our customers in the spirit of our mutual long-term partnership. Nonetheless, we have been and will continue to effectively prioritize our business to manage our own inventories, channel inventories, customer demand, and margin.

Now, let's move to a detailed review of our business beginning with Computing segment. It represented 40.9% of total revenue in the June quarter. We posted a 4.6% sequential increase and 23.9% growth year-over-year. The increase from a year ago was driven by the BOM content gains with the Skylake and Kabylake, the SAM expansion into graphics cards and Vcore applications, and the share gains at notebook battery applications. While the demand for our products continues to strengthen, we are trying to manage our mix to support our customers as well as to optimize our business. In fact, a big portion of the steady improvement of gross margin came from this segment as we have been increasing the shipments of our high value new products. As a result of ongoing mix management and supply chain control, we expect the Computing segment to maintain the same level of revenue in the September quarter.

Second, Consumer: It was 24.6% of the total revenue. It grew 17.5% sequentially and decreased 6.1% compared to the prior year. Our shipments to TV applications remain flat sequentially due to the wafer shortage at third party foundries. However, the emerging shipments of our new products for various applications including gaming, drones, and home appliances, all of which were developed and shipped from our fab, resulted in a healthy sequential growth. We think that the tight capacity at third party foundries will likely persist. Our own fab capacity that is just starting to open up cannot expand fast enough to satisfy the demand for our new products. In accordance with our disciplined mix strategy, we expect to maintain a stable Consumer revenue level for the September quarter.

Third, Power Supply and Industrial Segment: It was 17.9% of the total revenue, which was down 4.4% sequentially, and down 12.3% from the same quarter last year as we continued to be more selective about allocation. We recently introduced the high performance α MOS5™ High Voltage (HV) MOSFET platform, This will enable future HV product offerings to fulfill the higher power density in smaller and more efficient packages. These new products will replace the traditional HV products that tend to carry low margins. The initial revenue contribution from new HV products addressing industrial power applications will start from the September quarter. We anticipate that this segment will demonstrate a healthy sequential growth.

Lastly, the Communication segment: The revenue was 13.3% of the total revenue, representing a growth of 2.6% sequentially and 25.1% year over year. Telecom networking products gained further market share based on the strong demand for our medium voltage MOSFET products. Our AlphaDFN products for smartphone battery management applications and surge protection products are well positioned with key customers, and we continue to expect the demand for these products to rise during the second half of 2017. Accordingly, we expect to see a solid growth in this segment next quarter.

In closing, we are pleased with the improvement we have been making so far. In the fiscal year 2017, we demonstrated the benefit of our turnaround strategy as we continued to generate strong financial results, strategically invest for future and adhere to our prudent capital management. Against the backdrop of tight supply, we are putting forth best effort to maintain a good balance between customer relations and business optimization. Looking ahead, we are confident that we can continue to expand our business and improve profitability as we are seeing more sustainable growth opportunities.

Yifan Liang: Guidance for the next quarter

As we look forward to the first quarter of fiscal year 2018, we expect:

- Our September quarter's revenue to be in the range of \$101 million to \$105 million.
- GAAP gross margin is expected to be approximately 25.5% plus or minus 1%.

- GAAP operating expenses are expected to be in the range of \$22 million plus or minus \$1 million as we expect the Chongqing joint venture related expenses continue to increase to support our joint venture's development plan.
- Tax expenses are expected to be about \$1.1 million to \$1.3 million.
- Loss attributable to non-controlling interest is expected to be around \$1.6 million.
- Our share-based compensation should range from \$2.0 million to \$2.3 million.

As part of our normal practice, we are not assuming any obligations to update this information.

With that, we will open up the floor for questioning.

Closing:
This concludes our earnings call today. Thank you for your interest in AOS and we look forward to talking to you again next quarter.

Forward Looking Statements

This script contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of future performance based on management's judgment, beliefs, current trends, and anticipated product performance. These forward looking statements include, without limitation, statements relating to projected amount of revenues, gross margin, operating expenses, operating income, tax expenses, net income, noncontrolling interest and share-based compensation expenses, statements regarding market segments, diversification of products and new customers; expectation with respect to improvement in profit, our turnaround progress and competitive position; the expected trend on revenue and sales for each segment of our serviceable market; the progress of construction of manufacturing facility in our joint venture with Chongqing funds; our ability and strategy to develop new products, expand our sales, revenue and profitability, growth in revenue and market share, including adoption of low-voltage and power IC products; seasonality fluctuation in customer demand; our ability to manage supply constraints and the expectation with respect to capacity limitation; the execution of our business plan, and other information regarding the future development of our business. Forward looking statements involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include, but are not limited to, the decline of the PC industry and our ability to respond to such decline, our ability to introduce or develop new and enhanced products that achieve market acceptance, the actual product performance in volume production, the quality and reliability of our product, our ability to achieve design wins, the general business and economic conditions, the state of semiconductor industry and seasonality of our markets, our ability to maintain factory utilization at a desirable level, our ability to execute the joint venture successfully, and other risks as described in our SEC filings, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 to be filed by AOS. Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements. All information provided in this press release is as of today's date, unless otherwise stated, and AOS undertakes no duty to update such information, except as required under applicable law.