

ALPHA & OMEGA SEMICONDUCTOR LTD

FORM 8-K (Current report filing)

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**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): May 3, 2017

Alpha and Omega Semiconductor Limited
(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction
of incorporation)

001-34717
(Commission
File Number)

77-0553536
(I.R.S. Employer
Identification No.)

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
(Address of principal executive offices)

(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 (see General Instruction A.2. below):

- 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 exhibits, 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 May 3, 2017, Alpha and Omega Semiconductor Limited (the “Company”) issued a press release regarding its financial results for the fiscal third quarter of 2017 ended March 31, 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 May 3, 2017

99.2 Script for Earnings Call

SIGNATURE

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

Dated: May 3, 2017

Alpha and Omega Semiconductor Limited

By: /s/ Yifan Liang
Name: Yifan Liang
Title: Chief Financial Officer and Corporate Secretary

Alpha and Omega Semiconductor Reports Financial Results for the Fiscal Third Quarter of 2017 Ended March 31, 2017

SUNNYVALE, Calif., May 03, 2017 (GLOBE NEWSWIRE) -- Alpha and Omega Semiconductor Limited (“AOS”) (NASDAQ:AOSL), today reported financial results for the fiscal third quarter of 2017 ended March 31, 2017.

The results for the fiscal third quarter of 2017 ended March 31, 2017 were as follows:

GAAP Financial Comparison
Quarterly
(in millions, except percentage and per share data)
(unaudited)

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Revenue	\$ 93.3	\$ 94.7	\$ 83.0
Gross Margin	24.3%	23.3%	19.7%
Operating Income (Loss)	\$ 3.0	\$ 2.8	\$ (0.2)
Net Income (Loss) attributable to AOS	\$ 3.6	\$ 2.8	\$ (1.3)
Income (Loss) Per Share attributable to AOS - Diluted	\$ 0.14	\$ 0.11	\$ (0.06)

On a non-GAAP basis excluding 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		
	March 31, 2017	December 31, 2016	March 31, 2016
Revenue	\$ 93.3	\$ 94.7	\$ 83.0
Gross Margin	24.6%	23.6%	19.9%
Operating Income	\$ 4.7	\$ 4.4	\$ 1.0
Net Income (Loss) attributable to AOS	\$ 5.3	\$ 4.4	\$ (0.1)
Income (Loss) Per Share attributable to AOS - Diluted	\$ 0.21	\$ 0.18	\$ —

Commenting on the March quarterly results, Dr. Mike Chang, the chairman and CEO of the company, stated, “Our new product momentum continued to contribute to the revenue and gross margin growth. AOS reported \$93.3 million in revenue, close to the high-end of our guidance range, representing an increase of 12.4% from the revenue in the same quarter a year ago. We also posted the eighth consecutive quarter of gradual gross margin expansion and delivered \$0.21 non-GAAP earnings per share despite the fact that the March quarter is seasonally our lowest quarter. This, once again, demonstrates the strength of AOS recovery strategy that is now translating into a sustained improvement of our financial performance. We are also taking proactive and deliberate steps to gradually alleviate capacity constraints, and we expect to see higher production output starting in the September quarter. The entire team at AOS continues to keenly focus on developing differentiated technologies and introducing market driven new products, which we believe will further propel our business growth and profitability.”

Business Outlook for Fiscal Q4 Ending June 30, 2017

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

- Revenue is expected to be between \$95 million and \$99 million.
- GAAP gross margin is expected to be 24.5% plus or minus 1%.
- GAAP operating expenses are expected to be in the range of \$19.8 million plus or minus \$1 million.
- Tax expense is expected to be approximately \$1.0 million to \$1.2 million.
- Loss attributable to noncontrolling interest is expected to be between \$1.2 million and \$1.3 million.

The above projections on GAAP gross margin and GAAP operating expenses include estimated share-based compensation expense of \$1.6 million to \$1.8 million.

Conference Call and Webcast

AOS plans to hold an investor teleconference and live webcast to discuss the financial results for the fiscal third quarter of 2017 ended March 31, 2017 today, May 3, 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, expand our sales, and achieve sustained growth and profitability, and other information under the section entitled "Business Outlook for Fiscal Q4 Ending June 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, 2016 filed on August 26, 2016. 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 for all periods presented in this press release and impairment of long-lived assets for the nine months ended March 31, 2016. 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. We seek to compensate for the limitation of our non-GAAP presentation 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			Nine Months Ended	
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016
Revenue	\$93,281	\$ 94,687	\$82,987	\$285,330	\$244,251
Cost of goods sold	70,584	72,593	66,668	218,595	197,899
Gross profit	22,697	22,094	16,319	66,735	46,352
Gross margin	24.3%	23.3%	19.7%	23.4%	19.0%

Operating expenses:					
Research and development	7,625	7,284	6,924	21,928	19,029
Selling, general and administrative	12,067	11,974	9,566	35,224	27,935
Impairment of long-lived assets	—	—	—	—	432
Total operating expenses	19,692	19,258	16,490	57,152	47,396
Operating income (loss)	3,005	2,836	(171)	9,583	(1,044)
Interest income and other income (loss), net	(74)	(70)	132	(193)	(335)
Interest expense	(22)	(24)	(5)	(72)	(22)
Income (loss) before income taxes	2,909	2,742	(44)	9,318	(1,401)
Income tax expense	523	1,085	1,219	2,845	3,448
Net income (loss) including noncontrolling interest	2,386	1,657	(1,263)	6,473	(4,849)
Net loss attributable to noncontrolling interest	(1,170)	(1,190)	—	(3,237)	—
Net income (loss) attributable to Alpha and Omega Semiconductor Limited	<u>\$ 3,556</u>	<u>\$ 2,847</u>	<u>\$ (1,263)</u>	<u>\$ 9,710</u>	<u>\$ (4,849)</u>
Net income (loss) per common share attributable to Alpha and Omega Semiconductor Limited					
Basic	\$ 0.15	\$ 0.12	\$ (0.06)	\$ 0.42	\$ (0.22)
Diluted	\$ 0.14	\$ 0.11	\$ (0.06)	\$ 0.39	\$ (0.22)
Weighted average number of common shares attributable to Alpha and Omega Semiconductor Limited used to compute net income (loss) per share					
Basic	23,675	23,481	22,232	23,396	22,400
Diluted	24,951	24,977	22,232	24,781	22,400

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

	<u>March 31, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 116,150	\$ 87,774
Restricted cash	181	188
Accounts receivable, net	22,452	26,594
Inventories	73,349	68,848
Other current assets	4,948	4,526
Total current assets	217,080	187,930
Property, plant and equipment, net	117,335	116,084
Land use rights, net	8,737	—
Deferred income tax assets - long term	5,539	12,132
Other long term assets	21,522	2,359
Total assets	<u>\$ 370,213</u>	<u>\$ 318,505</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 44,990	\$ 42,718
Accrued liabilities	23,673	22,590
Income taxes payable	2,879	2,356
Deferred margin	713	997

Capital leases	820	819
Total current liabilities	73,075	69,480
Income taxes payable - long term	985	1,577
Deferred income tax liabilities	2,938	2,973
Capital leases - long term	1,071	1,695
Other long term liabilities	567	741
Total liabilities	78,636	76,466
Equity:		
Preferred shares, par value \$0.002 per share:		
Authorized: 10,000 shares, issued and outstanding: none at March 31, 2017 and June 30, 2016	—	—
Common shares, par value \$0.002 per share:		
Authorized: 50,000 shares, issued and outstanding: 29,391 shares and 23,778 shares, respectively at March 31, 2017 and 28,405 shares and 22,754 shares, respectively at June 30, 2016	59	57
Treasury shares at cost, 5,613 shares at March 31, 2017 and 5,651 shares at June 30, 2016	(49,876)	(50,199)
Additional paid-in capital	202,739	191,444
Accumulated other comprehensive income	39	769
Retained earnings	109,788	100,071
Total Alpha and Omega Semiconductor Limited shareholder's equity	262,749	242,142
Noncontrolling interest	28,828	(103)
Total equity	291,577	242,039
Total liabilities and equity	\$370,213	\$318,505

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			Nine Months Ended	
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016
GAAP gross profit	\$ 22,697	\$ 22,094	\$ 16,319	\$ 66,735	\$ 46,352
Share-based compensation	222	205	187	622	475
Non-GAAP gross profit	\$ 22,919	\$ 22,299	\$ 16,506	\$ 67,357	\$ 46,827
<i>Non-GAAP gross margin as a % of revenue</i>	24.6%	23.6%	19.9%	23.6%	19.2%
GAAP operating income (loss)	\$ 3,005	\$ 2,836	\$ (171)	\$ 9,583	\$ (1,044)
Share-based compensation	1,715	1,554	1,173	4,585	3,047
Impairment of long-lived assets	—	—	—	—	432
Non-GAAP operating income	\$ 4,720	\$ 4,390	\$ 1,002	\$ 14,168	\$ 2,435
<i>Non-GAAP operating income as a % of revenue</i>	5.1%	4.6%	1.2%	5.0%	1.0%
GAAP net income (loss) attributable to AOS	\$ 3,556	\$ 2,847	\$ (1,263)	\$ 9,710	\$ (4,849)
Share-based compensation	1,715	1,554	1,173	4,585	3,047
Impairment of long-lived assets	—	—	—	—	432
Non-GAAP net income (loss) attributable to AOS	\$ 5,271	\$ 4,401	\$ (90)	\$ 14,295	\$ (1,370)
<i>Non-GAAP net income (loss) attributable to AOS as a % of revenue</i>	5.7%	4.6%	(0.1)%	5.0%	(0.6)%
GAAP net income (loss) attributable to AOS	\$ 3,556	\$ 2,847	\$ (1,263)	\$ 9,710	\$ (4,849)
Share-based compensation	1,715	1,554	1,173	4,585	3,047
Impairment of long-lived assets	—	—	—	—	432
Amortization and depreciation	6,885	6,760	6,927	20,148	20,705
Interest expense (income), net	(54)	(23)	(6)	(121)	(9)

Income tax expense	523	1,085	1,219	2,845	3,448
EBITDAS	<u>\$ 12,625</u>	<u>\$ 12,223</u>	<u>\$ 8,050</u>	<u>\$ 37,167</u>	<u>\$ 22,774</u>
GAAP diluted net income(loss) per share attributable to AOS	\$ 0.14	\$ 0.11	\$ (0.06)	\$ 0.39	\$ (0.22)
Share-based compensation	0.07	0.07	0.06	0.19	0.14
Impairment of long-lived assets	—	—	—	—	0.02
Non-GAAP diluted net income (loss) per share attributable to AOS	<u>\$ 0.21</u>	<u>\$ 0.18</u>	<u>\$ —</u>	<u>\$ 0.58</u>	<u>\$ (0.06)</u>
Shares used to compute basic per share	23,675	23,481	22,232	23,396	22,400
Shares used to compute dilute per share	24,951	24,977	22,232	24,781	22,400

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Alpha and Omega Semiconductor LimitedPrepared Remarks of Investor Conference Callfor the Quarter Ended March 31, 2017May 3, 2017So-Yeon Jeong (Moderator):

Good afternoon, everyone, and welcome to the Alpha and Omega Semiconductor's conference call for fiscal 2017 third quarter financial results. 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, May 3, 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 our CFO to provide an overview of the third fiscal quarter 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. Then I'll turn it over to Mike, our CEO, who will review the company's business highlights and I will follow up with our guidance for the next quarter. Finally, we'll reserve time for questions-and-answers.

Revenue for the March quarter was \$93.3 million, down 1.5% sequentially and up 12.4% year-over-year. Demand for our new products continued to show strong momentum during our typically lowest season.

In terms of product mix, MOSFET revenue was \$70.8 million, an increase of 1.4% from the prior quarter, and up 11.5% from the same quarter last year. Power IC revenue was \$19.3 million, down 11.7% from the prior quarter, and up 18.8% from the same quarter last year. Service revenue was \$3.2 million, as compared to \$3.0 million for the prior quarter and \$3.3 million from the same quarter last year.

In terms of segment mix, this quarter's Computing segment represented 41.1% of the total revenue, Consumer 22.0%, Power Supply and Industrial 19.7%, Communications 13.6%, Service 3.4% and others 0.2%.

Gross margin was 24.3% for the March quarter, as compared to 23.3% in the prior quarter and 19.7% for the same quarter last year. The increase in gross margin quarter-over-quarter was mainly driven by the new product contribution and improved product mix.

Operating expenses for the quarter were \$19.7 million, compared to \$19.3 million for the prior quarter and \$16.4 million for the same quarter last year. The higher operating expenses quarter-over-quarter were primarily due to the headcount increase in R&D and sales and marketing functions to support our expected business growth.

Income tax expense was \$0.5 million for the quarter, compared to \$1.1 million for the prior quarter and \$1.2 million for the same quarter last year. The decrease in income tax expense quarter-over-quarter was primarily due to the release of previous reserve after the expiration of applicable statute of limitation.

Net income attributable to AOS for the quarter was approximately \$3.6 million or 14 cents earnings per share, as compared to 11 cents earnings per share for the prior quarter and 6 cents loss per share for the same quarter last year.

Non-GAAP EPS attributable to AOS for the quarter was 21 cents earnings per share, as compared to 18 cents earnings per share for the prior quarter, and break even for the same quarter last year. Non-GAAP EPS excluded the effect of share based compensation expenses of \$1.7 million for the March quarter as compared to \$1.6 million in the prior quarter and \$1.2 million in the same quarter last year.

We continue to generate positive cash flow. Cash flow from operations was \$11.0 million for the March quarter compared to \$8.8 million for the prior quarter and \$1.7 million for the same quarter last year.

EBITDAS for the March quarter was \$12.6 million compared to \$12.2 million for the prior quarter and \$8.1 million for the same quarter last year.

Moving on to the balance sheet.

We completed the March quarter with cash and cash equivalents balance of \$116.2 million including \$7.2 million balance at our Chongqing Joint Venture, as compared to \$122.8 million at the end of last quarter and \$78.9 million a year ago.

Net trade receivables were \$22.5 million, as compared to \$24.5 million at the end of last quarter and \$32.0 million for the same quarter last year. Day Sales Outstanding was 35 days for the quarter, same as compared to the prior quarter.

Net inventory was \$73.3 million at the quarter-end, compared to \$70.2 million for last quarter and \$67.9 million for the prior year. Average Days in Inventory were 92 days for the quarter compared to 87 days in the prior quarter.

Net Property, Plant and Equipment balance was \$126.1 million, as compared to \$122.7 million for last quarter and \$112.5 million for the prior year. Capital expenditures were \$17.0 million for the quarter, including \$12.2 million related to our Chongqing Joint Venture, mainly driven by the down payment for the construction work that started during the March quarter. The remaining balance of \$4.8 million was spent for our own capacity expansion to open up some critical bottleneck.

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):

AOS delivered another outstanding quarter with improved profitability against the lowest seasonality during the March quarter. Our quarterly revenue of \$93.3 million was close to the high-end of our guidance and up 12.4% from the same quarter a year ago. More importantly, we have achieved a pro-forma earnings per share of \$0.21, which is 11% higher than the pro-forma earnings we reported during the last high season in the September 2016 quarter. The enhanced profitability was driven by gross margin expansion mainly through a favorable product mix. We posted the eighth consecutive quarter of gross margin growth, which we believe validates our business strategy and successful product executions.

During the early stage of our recovery, we sharpened our strategic decision to focus on market-driven R&D investment. We implemented this by building upon our core competencies in engineering and manufacturing to develop versatile technology platforms adaptable to a wide range of applications. I am pleased to see that our new product introduction is progressing well and is contributing to the revenue and gross margin lines. We continued to develop a healthy pipeline of new products and our products are gaining traction at a diverse customer base. I am looking forward to updating you on product activities as new opportunities continue to take shape.

Before I touch upon our segment report, let me take a few moments to comment on our supply situation. While we have limited control over the constraints at third-party foundries, we are taking pro-active and deliberate steps to support our customers and prioritize our business. We are making good headway in easing the supply constraints. Some key tools are being delivered and installed during the June quarter, which will open up additional capacity in the Oregon fab. We are also expediting some transfer activities from third-party foundries to our fab. We expect these actions to gradually alleviate capacity constraints starting from the September quarter.

Now, I will review our performance in each business segment. First, Computing segment: It represented 41.1% of the total revenue in the March quarter. We posted a 5.5% sequential increase and 27.0% growth year-over-year. The increase from a year ago was driven by the higher BOM content, market share gains, as well as SAM expansion into new applications. Looking ahead, as Kabylake is just starting to ramp, the demand for Skylake products remains strong. In addition, we are seeing developing strength in our new products for Vcore applications for high-end notebook, gaming notebook, and workstations. By expanding market share and shipments of new products, we expect to see a healthy growth in our Computing segment in calendar year 2017.

Second, Consumer: It was 22.0% of the total revenue. It decreased 14.6% sequentially and down 8.6% compared to the prior year. The decline was greater than the seasonal norm as this segment is more exposed to the wafer shortage from third-party foundries that are operating at full capacity. As the increasing shipments of the new products from our fab are expected to offset the supply shortage impact, we anticipate the Consumer segment revenue to start to improve from the June quarter.

Third, Power Supply and Industrial segment: It was 19.7% of the total revenue, which was down 7.5% sequentially, and up 0.6% from the last year. The flattish revenue year-over-year was due mainly to the product mix management. Under the tight supply environment, we have been more selective about incoming orders and allocation to optimize our portfolio. With the additional internal capacity expected to come online starting from the September quarter, we anticipate to increase the shipments of growing applications to meet customers' demand. We expect this segment to gradually improve through calendar year 2017.

Lastly, our Communications segment delivered strong results. The revenue was 13.6% of the total revenue, representing a growth of 12.2% sequentially and 44.7% year-over-year. The upsurge in revenue was fueled by the increased shipments of the AlphaDFN products. Our ultra thin AlphaDFN products enabled us to further penetrate the customer base in smartphone battery management applications. These results not only exemplify the advantages of our technology but also represent clear signs of success for our mobile strategy. As mobile application is entering its high season, we expect the demand for our AlphaDFN product line and the surge protection product line to continue to rise for the second half of 2017. Additionally, we anticipate growing shipments of telecom networking products bolstered by solid demand for the superior performance of our medium voltage MOSFET.

With the initial success of new product introduction, we have demonstrated the healthy earnings leverage with our business model. We believe that our business model can produce even greater earnings potential as we are entering into emerging new product cycles and generating higher revenue. The entire team at AOS continues to put forth the best effort to create robust demand by investing in differentiated technologies and introducing market driven new products, which we believe will further propel our growth and profitability.

Yifan Liang: Guidance for the next quarter

As we look forward to the fourth quarter of fiscal year 2017, we expect:

- Our June quarter's revenue to be in the range of \$95 million to \$99 million. This reflects the supply constraint impact that Mike discussed earlier.
- GAAP gross margin to be approximately 24.5% plus or minus 1%.
- GAAP operating expenses to be in the range of \$19.8 million plus or minus \$1 million.
- Tax expenses to be about \$1.0 million to \$1.2 million.
- Loss attributable to non-controlling interest to be around \$1.2 million to \$1.3 million.
- Our share-based compensation to be in the range of \$1.6 million to \$1.8 million.

As per our regular 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 (loss), tax expenses, net income (loss), 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 recovery 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 and ramp up of Skylake/Kabylake platform; seasonality fluctuation in customer demand; our ability to manage supply constraints; 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, 2016 filed by AOS on August 26, 2016. 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.