

Mellanox Technologies, Ltd.
Form 8-K
February 21, 2018

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): February 20, 2018

Mellanox Technologies, Ltd.

(Exact name of Registrant as Specified in its Charter)

Israel
(State or other jurisdiction
of incorporation)

001-33299
(Commission
File Number)
Beit Mellanox

98-0233400
(I.R.S. Employer
Identification No.)

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Yokneam, Israel 2069200

(Address of Principal Executive Offices, including Zip Code)

+972-4-909-7200

(Registrant's telephone number, including area code)

Not Applicable

(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 or Rule 12b-2 of the Securities Exchange Act of 1934.

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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) Chief Financial Officer Transition

On February 21, 2018, Mellanox Technologies, Ltd. (Mellanox or the Company) announced that Jacob Shulman has accepted an executive position at a pre-IPO company and will step down as Chief Financial Officer (CFO) of the Company on May 4, 2018, after announcing fiscal first quarter 2018 earnings.

A copy of the press release announcing the CFO transition is attached hereto as Exhibit 99.1 and those portions of the press release related to the CFO transition are incorporated herein by reference.

(d) Appointment of New Directors

On February 20, 2018, the Board appointed Steve Sanghi and Umesh Padval to serve as members of the Board, effective immediately, filling the existing vacancies on the Board. Messrs. Sanghi and Padval were appointed with an initial term expiring at the Company's 2018 annual general meeting of shareholders.

Messrs. Sanghi and Padval will each receive, until the next general meeting of the Company, cash and equity compensation as provided in the Company's existing non-employee director compensation policy. Pursuant to our shareholder-approved board compensation program, Messrs. Sanghi and Padval will each receive an award of 4,200 shares of restricted share units which vest in equal monthly installments of 350 units each beginning on March 1, 2018, provided each continues to serve as a non-employee director through each applicable vesting date.

A copy of the press release announcing the appointment of the new directors is attached hereto as Exhibit 99.2 and is incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

On February 21, 2018, the Company issued a press release announcing updated guidance for the first fiscal quarter of 2018 ending March 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1 and those portions of the press release related to the updated guidance are incorporated herein by reference.

The information in this Item 7.01 of this Current Report on Form 8-K and Exhibit 99.1 attached hereto related to the updated guidance shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. The information contained in this Item 7.01 and the information related to the updated guidance in the Press Release dated February 21, 2018 attached as Exhibit 99.1 to this Current Report shall not be incorporated by reference into any filing with the SEC made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

GAAP to Non-GAAP Reconciliation

To supplement its consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), Mellanox uses non-GAAP measures of net income which are adjusted from results based on GAAP to exclude share-based compensation expense, amortization expense of acquired intangible assets, acquisition and other charges, settlement costs, restructuring and related charges, and income tax effects and adjustments. Acquisition and other charges include expenses related to acquisitions of other companies and non-routine shareholder matters. Restructuring and related charges include costs that are the result of restructuring, consisting of employee termination and severance costs, facilities related costs, contract cancellation charges, and impairment of long-lived

assets. The purpose of income tax effects and adjustments is to exclude tax consequences associated with the above excluded expenses items, as well as the non-cash impact on the tax provision pertaining to changes in deferred tax assets associated with carryforward losses of group entities subject to tax holiday in Israel. The Company believes the non-GAAP results provide useful information to both management and investors, as these non-GAAP results exclude expenses that are not indicative of our core operating results. Management believes it is useful to exclude share-based compensation expense, amortization expense of acquired intangible assets, acquisition and other charges, settlement costs, restructuring and related charges, and income tax effects and adjustments because it enhances investors' ability to understand our business from the same perspective as management, which believes that such items are not directly attributable to nor reflect the underlying performance of the company's business operations. Further, management believes certain non-cash charges such as share-based compensation, amortization of acquired intangible assets, impairment of long-lived assets, changes related to recognition of deferred taxes and the net impact on the Company's tax provision for non-GAAP adjustments do not

reflect the cash operating results of the business. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. These non-GAAP measures may be different than the non-GAAP measures used by other companies.

The Company has not reconciled its non-GAAP gross margins or non-GAAP operating expenses to GAAP gross margins or GAAP operating expenses, respectively, in this press release, because it does not provide an outlook for GAAP gross margins or GAAP operating expenses due to uncertainty and variability of acquired intangibles, acquisition related costs, impairment charged and restructuring costs, which are reconciling items between non-GAAP gross margins and non-GAAP operating expenses, and GAAP gross margins and GAAP operating expenses, respectively. The Company has not reconciled its non-GAAP diluted share count to GAAP diluted share count in this press release because it does not provide an outlook for GAAP diluted share count due to the uncertainty in its GAAP net income (loss) due to variability of GAAP gross margins and operating expenses described above. Because such items cannot be reasonably predicted and could have a significant impact on the calculation of GAAP gross margins, GAAP operating expenses and GAAP diluted share count, a reconciliation of our outlook of these non-GAAP financial measures to the corresponding GAAP measures is not available without unreasonable effort.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

All statements included or incorporated by reference in this Current Report, other than statements or characterizations of historical fact, are forward-looking statements, including the Company's outlook for the three months ending March 31, 2018, statements related to trends in the market for the Company's solutions and services, opportunities for the Company in the three months ending March 31, 2018 and beyond, and future product capabilities. These forward-looking statements are based on the Company's current expectations, estimates and projections about the Company's industry and business, management's beliefs and certain assumptions made by the Company, all of which are subject to change.

Forward-looking statements can often be identified by words such as projects, anticipates, expects, intends, plans, predicts, believes, seeks, estimates, may, will, should, would, could, potential, continue, ongoing, and variations or negatives of these words. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause the Company's actual results to differ materially and adversely from those expressed in any forward-looking statement. The risks and uncertainties that could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements include the continued expansion of the Company's product line, customer base and the total available market of the Company's products, the continued growth in demand for the Company's products, the continued, increased demand for industry standards-based technology, the Company's ability to react to trends and challenges in its business and the markets in which it operates, the Company's ability to anticipate market needs or develop new or enhanced products to meet those needs, the adoption rate of the Company's products, the Company's ability to establish and maintain successful relationships with its OEM partners, the Company's ability to effectively compete in its industry, fluctuations in demand, sales cycles and prices for the Company's products and services, the Company's success converting design wins to revenue-generating product shipments, the continued launch and volume ramp of large customer sales opportunities, the Company's ability to protect its intellectual property rights, the Company's ability to successfully acquire businesses and technologies and to successfully integrate and operate these acquired businesses, the Company's success in realizing the anticipated benefits of mergers and acquisitions, and the Company's ability to obtain debt at competitive rates or in sufficient amounts in order to fund its contractual commitments. Furthermore, the majority of the Company's quarterly revenues are derived from customer orders received and fulfilled in the same quarterly period. The Company has limited visibility into actual end-user demand as such demand impacts the Company and its OEM customer inventory balances in any given quarter. Consequently, this introduces risk and uncertainty into the Company's revenue and production forecasts and business planning and could negatively impact its financial results. In addition, current uncertainty in the global economic environment poses a risk to the overall economy as businesses may defer purchases in response to tighter credit conditions, changing overall demand for the

Company's products, and negative financial news. Consequently, the Company's results could differ materially from its prior results due to these general economic and market conditions, political events and other risks and uncertainties described more fully in the Company's documents filed with or furnished to the Securities and Exchange Commission (the SEC).

More information about the risks, uncertainties and assumptions that may impact our business is set forth in the Company's annual report on Form 10-K filed with the SEC on February 16, 2018. All forward-looking statements in this press release, including the outlook for the three months ending March 31, 2018, are based on information available to the Company as of the date hereof, and the Company assumes no obligation to update these forward-looking statements.

Important Additional Information and Where You Can Find It

The Company and certain of its directors and executive officers may be deemed to be participants in a solicitation of proxies in connection with the matters to be considered at the Company's 2018 annual general meeting of shareholders (the "2018 AGM"). Information regarding the names of the Company's directors and executive officers and their respective interests in the Company by security holdings or otherwise is set forth in the Company's definitive proxy statement for its 2017 annual general meeting of shareholders filed with the SEC on March 22, 2017 and reports filed by the Company and Forms 3 and Forms 4 filed by the Company's executive officers and directors with the SEC after March 22, 2017. These documents are available free of charge at the SEC's website at www.sec.gov. The Company intends to file a proxy statement and accompanying WHITE proxy card with the SEC in connection with the solicitation of proxies from the Company's shareholders in connection with the matters to be considered at the Company's 2018 AGM. Additional information regarding the identity of participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the Company's proxy statement for its 2018 AGM, including the schedules and appendices thereto.

The Company intends to furnish its definitive proxy statement for its 2018 AGM and WHITE proxy card to each shareholder entitled to delivery of a proxy, and intends to file such definitive proxy statement and WHITE proxy card with the SEC. **THE COMPANY URGES ITS SHAREHOLDERS TO CAREFULLY READ SUCH DEFINITIVE PROXY STATEMENT (INCLUDING ANY SUPPLEMENTS OR AMENDMENTS THERETO), ACCOMPANYING WHITE PROXY CARD AND ANY OTHER RELEVANT DOCUMENTS THAT THE COMPANY MAY FILE WITH THE SEC, WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Copies of the definitive proxy statement, any solicitation materials and any other documents filed by the Company with the SEC will be made available free of charge at the SEC's website at www.sec.gov. These documents will also be made available free of charge on the Company's website at www.mellanox.com or by contacting the Company's proxy solicitor, MacKenzie Partners, Inc. at mlnxproxy@mackenziepartners.com.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	<u>Press Release dated February 21, 2018 related to updated guidance and CFO transition.</u>
99.2	<u>Press Release dated February 21, 2018 related to appointment of new directors.</u>

SIGNATURES

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.

Date: February 21, 2018

MELLANOX TECHNOLOGIES, LTD.

By: /s/ Alinka Flaminia

Name: Alinka Flaminia

Title: Senior Vice President, General Counsel