

InvenSense Inc
Form S-1/A
May 24, 2011
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As filed with the Securities and Exchange Commission on May 24, 2011

Registration No. 333-167843

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

INVENSENSE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3674
(Primary Standard Industrial
Classification Code Number)

01-0789977
(I.R.S. Employer
Identification Number)

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1197 Borregas Avenue

Sunnyvale, CA 94089

(408) 988-7339

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Steven Nasiri

President, Chief Executive Officer

and Chairman

1197 Borregas Avenue

Sunnyvale, CA 94089

(408) 988-7339

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 definition 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

(Do not check if a smaller reporting company)

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee (3)
Common stock, \$0.001 par value	\$100,000,000	

- (1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (2) Includes offering price of shares that the underwriters have the option to purchase.
- (3) Registration fee for the common stock being offered under this amended Registration Statement has been previously paid at the time of the initial filing of this Registration Statement on June 28, 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 24, 2011.

Shares

Common Stock

This is an initial public offering of shares of common stock of InvenSense, Inc.

InvenSense is offering _____ shares to be sold in the offering.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between \$ _____ and \$ _____. We will apply to list our common stock on the New York Stock Exchange under the symbol INVN.

See Risk Factors on page 9 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discount	\$ _____	\$ _____
Proceeds, before expenses, to InvenSense	\$ _____	\$ _____

To the extent that the underwriters sell more than _____ shares of common stock, the underwriters have the option to purchase up to an additional _____ shares of common stock from us at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2011.

Goldman, Sachs & Co.

Morgan Stanley

Oppenheimer & Co.

Piper Jaffray

Baird

ThinkEquity LLC

Prospectus dated _____, 2011.

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

InvenSense, Inc.

We are the pioneer and a global market leader in intelligent motion processing solutions. We define motion processing as the ability to detect, measure, synthesize, analyze and digitize an object's motion in three-dimensional space. Our MotionProcessing solution is comprised of our proprietary MotionProcessor and MotionApps platform. Our single-chip MotionProcessor combines micro-electro-mechanical system, or MEMS, based motion sensors, such as accelerometers and gyroscopes, with mixed-signal integrated circuits (ICs) to deliver the world's first integrated MotionProcessing solution. Our MotionProcessors incorporate proprietary algorithms and firmware that intelligently process and synthesize sensor output for use by software applications. Our MotionApps platform, which consists of application programming interfaces (APIs) and calibration algorithms, helps accelerate the development of motion-based applications using our products. Our MotionProcessing solution is differentiated by its small form factor, high level of integration, performance, reliability and cost effectiveness. While our solutions have broad applicability across consumer, industrial, military and other industry verticals, we currently target consumer electronics within a variety of end markets that we believe demand a more intuitive and immersive user experience, such as console and portable video gaming devices, smartphones, tablet devices, digital still and video cameras, digital television and set-top box remote controls, 3D mice, navigation devices, toys, and health and fitness accessories. As of April 3, 2011, we had shipped over 110 million units of our products. Our net revenue was \$29.0 million, \$79.6 million and \$96.5 million for fiscal years 2009, 2010 and 2011, respectively, and our net income was \$0.2 million, \$15.1 million and \$9.3 million for these periods, respectively.

Historically, the incorporation of motion sensors in consumer electronics was limited primarily to accelerometers that provided basic motion sensing capabilities, such as tilt-sensing and changing screen orientation from portrait to landscape mode in smartphones. Devices incorporating these early motion sensors experienced strong demand, as they provided consumers with applications that included a more intuitive user interface. As consumers have become increasingly accustomed to motion-based applications, they have created a demand for applications that require more robust, intelligent motion processing solutions. Until recently, there have been a number of challenges that inhibited the development of such solutions. These challenges include accurately detecting complex motion across multiple axes with an integrated, small scale, cost-effective, single-chip component, and synthesizing and processing motion data into meaningful information for use in applications.

We believe our MotionProcessing solution addresses these challenges by integrating industry leading die size, cost effectiveness and performance while facilitating rapid application development and faster time-to-market. Just as microprocessors provide a platform for building computing applications and graphics processors enable visually rich applications, we believe there is an opportunity to deliver advanced, intelligent motion processing solutions that enable broader development and adoption of motion-based applications.

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Our Technology and Solutions

We believe we are the first provider of a motion processing solution for consumer devices. Our products span increasing levels of integration, from single-axis gyroscopes to fully-integrated, intelligent dual- and three-axis, and the industry's only six-axis, MotionProcessor units (MPUs). Our technology is comprised of five core proprietary components: our Nasiri-Fabrication platform, our advanced MEMS motion sensor designs, our application-specific mixed-signal circuitry for sensor signal processing, our sensor fusion algorithms in firmware that intelligently assimilate data from multiple sensors for use by end applications, and finally our MotionApps platform consisting of APIs and calibration algorithms.

Our Nasiri-Fabrication platform combines MEMS with standard complementary metal oxide semiconductors (CMOS) at the wafer level, which has allowed us to pioneer the industry's first high-volume, commercial MEMS fabless business model. We perform our own wafer-level sorting, testing and calibration using our proprietary automated testing equipment at our facilities in Taiwan. We sell our products through our direct worldwide sales organization and through our indirect channel of distributors to manufacturers of consumer electronics devices, original design manufacturers and contract manufacturers.

The competitive advantages of our technology and solutions are:

Highly integrated and cost-effective solutions enabled by our patented Nasiri-Fabrication platform. The foundation of our MotionProcessing solution is our patented Nasiri-Fabrication platform, which allows us to reduce the number of MEMS manufacturing steps, perform wafer-level testing and use wafer-level packaging, thereby reducing back-end costs and improving overall yield. By combining this unique process capability with our expertise in MEMS motion sensor designs, mixed-signal IC integration technologies, algorithms and firmware, we are able to produce MotionProcessing solutions with industry-leading integration and cost effectiveness.

Ability to rapidly accelerate time-to-market by leveraging our MotionApps platform.

Our MotionApps platform provides APIs and calibration algorithms that simplify access to complex functionality commonly needed by our customers and application developers who intend to leverage our MotionProcessing solutions. We believe our MotionApps platform can significantly accelerate the time-to-market for software applications and consumer devices by eliminating the need to develop separate software libraries. In addition, our MotionApps platform enables device manufacturers with limited motion processing experience to rapidly incorporate higher level motion-enabled applications into their products.

Scalable MotionProcessing solution with opportunities for continuing integration. Our Nasiri-Fabrication platform enables the integration of multiple motion sensors, such as gyroscopes and accelerometers, on a single chip with processing capability. This enables the offloading of computation intensive motion processing from the main application processor to our chip. As a result, our solution delivers enhanced performance and reliability with a smaller form factor and at a lower cost, and saves customers the time and expense involved in selecting and integrating multiple sensors and processors from multiple suppliers. Over time, we believe we will be able to integrate more advanced features and functionalities into our solution.

Flexible manufacturing, performance and reliability. Our fabless model enables cost-effective, high-volume production and provides us with the flexibility to quickly react to our customers' needs. Additionally, our ability to perform wafer-level testing combined with our close collaborative relationships with third-party foundries enables us to better control the

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manufacturing process and product yields, resulting in lower cost and improved device performance and reliability. Our Nasiri-Fabrication platform provides low cost, integrated, hermetically sealed cavities at the die level to house the MEMS sensor, enabling greater reliability under harsh environmental conditions. The use of single crystal silicon in our MEMS fabrication process reduces sensitivity to interference from noise and vibrations, enabling higher performance and accuracy. As a result, our solutions enable a motion-based user interface that has greater tolerance to environmental factors.

Our Strategy

Our objective is to enable broad adoption of our MotionProcessing solutions. To accomplish our objective, we are pursuing the following key strategies:

Continue to leverage our Nasiri-Fabrication platform to drive performance, integration and cost advantages. We will continue to leverage our fabless model while also continually enhancing our fabrication process to maintain our leadership in size, sensor and system integration, performance and cost. Over the long term, we intend to pursue complementary MEMS markets to expand our product portfolio.

Advance our MotionProcessing platform technology leadership. We will continue to invest in advanced manufacturing processes, sensor design, firmware and system-level technology, device integration, platform solutions and market development activities to maintain our technological leadership in motion processing.

Drive broader and faster adoption of our MotionProcessing solutions in the consumer electronics market. In order to support and expand our customer base and promote the broad adoption of motion processing, we intend to continue to develop easy-to-integrate, complete solutions, grow our direct sales and field application engineering teams, and work closely with customers to facilitate the development of new use cases.

Expand and strengthen the third-party application developer community. We intend to continue to work closely with third-party software and application developers to create new, compelling use cases for motion processing, as well as to accelerate the development of compelling motion-based applications that leverage the unique capabilities of our solution.

Identify new and emerging markets for our MotionProcessing solutions. We intend to leverage the growing interest in motion processing into markets such as power tools, sports equipment, wearable computing and industrial applications.

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Risk Factors

Our business is subject to numerous risks, which are described in the section entitled "Risk Factors" immediately following this prospectus summary on page 9. In particular, the following considerations, among others, may offset our competitive strengths or have a negative effect on our growth strategy, which could cause a decline in the price of our common stock and result in a loss of all or a portion of your investment:

We are dependent upon the continued market acceptance and adoption of motion processing, and, in particular, the adoption of our MotionProcessing solutions in consumer electronics products.

Nintendo Co. Limited was our largest customer in fiscal years 2009, 2010 and 2011, comprising 80%, 85% and 73% of our net revenue, respectively. According to third-party reports, sales of the Nintendo Wii, which have historically accounted for the majority of our sales, have declined in each of Nintendo's last three fiscal years and are expected to continue to decline. The loss of, or a substantial reduction in, orders from Nintendo would significantly reduce our net revenue and adversely impact our operating results.

If we fail to expand sales in our current markets and penetrate new markets, particularly the market for smartphones and tablet devices, our net revenue and potential net revenue growth rate could be materially and adversely affected.

We face intense competition on a number of factors, including price, and we expect competition to increase in the future, which could have an adverse effect on our net revenue, potential net revenue growth rate and market share.

Corporate Information

We were incorporated in the State of California in June 2003 and reincorporated in the State of Delaware in October 2004. Our principal executive offices are located at 1197 Borregas Avenue, Sunnyvale, CA 94089. Our telephone number is (408) 988-7339. Our website is www.invensense.com. The reference to our website is an inactive textual reference only and the information contained on our website is not a part of this prospectus.

InvenSense™, MotionProcessing™, MotionProcessor™, DigitalMotion™, DMP™, MotionFusion™, MotionApps™, AirLock™, AirSign™, MotionCommand™, BlurFree™ and LoPed™ are our trademarks. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

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The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares (or shares if the underwriters exercise their option to purchase additional shares in full)
Use of proceeds	We intend to use the net proceeds from this offering primarily for general corporate purposes, including working capital and capital expenditures. See the section titled Use of Proceeds.
Risk factors	See the section titled Risk Factors and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in our common stock.
Proposed NYSE symbol	INVN
The number of shares of our common stock to be outstanding after this offering is based on 68,316,485 shares outstanding as of April 3, 2011, on an as converted basis, and excludes:	

8,198,037 shares of common stock issuable upon the exercise of outstanding options with exercise prices ranging from \$0.04 to \$6.11 and a weighted average exercise price of \$2.24 per share;

60,000 shares of Series A convertible preferred stock issuable upon the exercise of outstanding warrants with a weighted average exercise price of \$1.00 per share. Upon the completion of this offering, these warrants will, in accordance with their terms, be converted into warrants to purchase 150,000 shares of common stock with a weighted average exercise price of \$0.40 per share;

645,874 shares of Series B convertible preferred stock issuable upon the exercise of outstanding warrants with a weighted average exercise price of \$1.77 per share. Upon the completion of this offering, these warrants will, in accordance with their terms, be converted into warrants to purchase 1,614,680 shares of common stock with a weighted average exercise price of \$0.71 per share; and

shares of common stock reserved for future issuance under our 2011 Stock Incentive Plan and shares of common stock that will be reserved for future issuance under the automatic increase provisions of our 2011 Stock Incentive Plan. Except as otherwise indicated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 50,311,053 shares of common stock immediately prior to the completion of this offering;

the filing of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and

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no exercise of the underwriters option to purchase up to additional shares of common stock from us.

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Summary Consolidated Financial Data

The following tables summarize the consolidated financial data for our business. You should read this summary financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, all included elsewhere in this prospectus.

We derived the summary consolidated financial data as of April 3, 2011, and for the fiscal years ended March 29, 2009, March 28, 2010 and April 3, 2011, from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future.

The pro forma net income per common share data is computed using the weighted average number of shares of common stock outstanding, after giving effect to the conversion (using the if-converted method) of all shares of our convertible preferred stock into common stock as though the conversion had occurred on the original date of issuance.

We end our fiscal quarters and years on Sundays, rather than using calendar periods. Our fiscal year is either a 52- or 53-week period ending on the Sunday closest to March 31. Our three most recent fiscal years ended on March 29, 2009 (fiscal year 2009), March 28, 2010 (fiscal year 2010) and April 3, 2011 (fiscal year 2011). Fiscal year 2011 was comprised of 53 weeks, while fiscal years 2010 and 2009 were comprised of 52 weeks.

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	2009	Fiscal Year 2010	2011
	(in thousands, except per share data)		
Net revenue	\$ 29,025	\$ 79,556	\$ 96,547
Cost of revenue(1)	15,548	36,073	43,647
Gross profit	13,477	43,483	52,900
Operating expenses:			
Research and development(1)	8,545	13,085	15,826
Selling, general and administrative(1)	4,632	8,427	15,596
Total operating expenses	13,177	21,512	31,422
Income from operations	300	21,971	21,478
Other income (expense):			
Change in fair value of warrant liabilities(2)		(6,363)	(4,025)
Other income (expense), net	(66)	(67)	31
Other expense net	(66)	(6,430)	(3,994)
Income before income taxes	234	15,541	17,484
Income tax provision	38	399	8,137
Net income(3)	196	15,142	9,347
Net income allocable to preferred stockholders(3)	196	12,150	7,716
Net income attributable to common stockholders(3)	\$	\$ 2,992	\$ 1,631
Net income per common share:			
Basic	\$	\$ 0.18	\$ 0.09
Diluted	\$	\$ 0.17	\$ 0.08
Weighted average shares outstanding in computing net income per share attributable to common stockholders:			
Basic	15,430	16,542	17,592
Diluted	17,519	20,867	22,202
Pro forma net income per common share (unaudited):			
Basic			\$ 0.14
Diluted			\$ 0.13
Weighted average shares outstanding pro forma (unaudited):			
Basic			67,903
Diluted			74,079

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(1) Includes stock-based compensation expense attributable to employees and non-employees as follows:

	2009	Fiscal Year 2010 (in thousands)	2011
Cost of revenue	\$ 68	\$ 233	\$ 261