

ENTROPIC COMMUNICATIONS INC  
Form 10-Q  
October 29, 2008  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2008

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33844

**ENTROPIC COMMUNICATIONS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction)

**33-0947630**  
(IRS Employer Identification No.)

of Incorporation)

**6290 Sequence Drive**

**San Diego, CA 92121**

(Address of Principal Executive Offices and Zip Code)

**(858) 768-3600**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of the close of business on October 24, 2008, 69,104,207 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

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**ENTROPIC COMMUNICATIONS, INC.**

**FORM 10-Q**

**For the Quarterly Period Ended September 30, 2008**

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	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 25,244	\$ 51,475
Restricted cash		58
Marketable securities	6,860	2,965
Accounts receivable, net	19,691	24,489
Inventory	22,255	15,332
Prepaid expenses, deferred income taxes and other current assets	1,552	2,238
Total current assets	75,602	96,557
Property and equipment, net	12,224	8,952
Intangible assets, net	30,883	34,145
Goodwill	88,082	86,256
Other long-term assets	281	416
Total assets	\$ 207,072	\$ 226,326
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 12,680	\$ 18,909
Accrued payroll and benefits	4,080	4,253
Deferred revenues		303
Current portion of line of credit and loans payable		2,860
Current portion of software licenses and capital lease obligations	60	384
Total current liabilities	16,820	26,709
Stock repurchase liability	982	1,765
Lines of credit and loans payable, less current portion		5,547
Other long-term liabilities	3,203	1,907
Commitments and contingencies		
<b>Stockholders equity:</b>		
Preferred stock		
Common stock	69	68
Additional paid-in capital	295,721	282,627
Accumulated deficit	(109,723)	(92,297)
Total stockholders equity	186,067	190,398
Total liabilities and stockholders equity	\$ 207,072	\$ 226,326

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**ENTROPIC COMMUNICATIONS, INC.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(in thousands, except per share data)*

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net revenues	\$ 31,678	\$ 36,144	\$ 116,502	\$ 82,377
Cost of net revenues	17,308	21,999	64,014	54,491
Gross profit	14,370	14,145	52,488	27,886
Operating expenses:				
Research and development	13,902	11,923	42,892	22,812
Sales and marketing	3,991	3,283	12,590	6,642
General and administrative	2,798	2,706	9,862	5,104
Write off of in-process research and development			1,300	21,400