

Client Value Study

International Rectifier Corporation

Brief Overview

With nearly \$1 billion in revenues, 4,000 employees and operations in 20 countries, International Rectifier is a world leader in designing, manufacturing and marketing power management semiconductors. The company has been a pioneer in this multi-billion dollar industry, having generated numerous key innovations over the course of six decades in business.

Power management semiconductor technology impacts many aspects of modern life. Manufacturers of computers, appliances, automobiles, consumer electronics and satellite systems rely on it to drive the performance and efficiency of their products. It has helped lower the cost of washing machines and quicken the operating time of laptop computers while prolonging battery lives.

Yet, in 2007, the company found itself amid very challenging circumstances. A review and investigation of financial reporting and accounting practices that began at an International Rectifier subsidiary evolved to reveal complex accounting and control issues in a number of areas.

Situation

To satisfy Securities and Exchange Commission (SEC) reporting requirements and maintain its listing on the New York Stock Exchange (NYSE), International Rectifier decided to restate its financials for fiscal years 2003 to 2007. Additionally, the company had to prepare and file current quarterly and annual financials for fiscal year 2008—a challenge intensified by tight deadlines and multiple complexities, including the reconstruction of financials for a foreign subsidiary, revenue recognition issues, unrecorded liabilities, restructuring charges and tax matters. During the restatement process, the company also identified a need to develop a plan to remediate deficiencies in its internal control over financial reporting.

During this critical time, International Rectifier had promoted another finance executive to act as Chief Financial Officer when this position was vacated in July, 2007, stretching this individual between two demanding jobs. Highly experienced, focused executive leadership was urgently needed to conclude the restatement.

International **IR** Rectifier

THE POWER MANAGEMENT LEADER

SITUATION

Certain accounting and transaction records were often incomplete or unreliable.

TATUM AFS SERVICES

Tatum assisted in the reconstruction of records, enabling a restatement that satisfied the board and auditors as well as regulatory authorities.

SITUATION

Issues from unrecorded and unreported liabilities to revenue recognition practices impacted reporting.

TATUM CONTROLLER SERVICES

Tatum identified vulnerabilities and opportunities to strengthen internal controls in the financial reporting process.

SITUATION

Processes, systems and technology did not adequately support timely, complete reporting.

TATUM BUSINESS STRATEGY & IT ALIGNMENT

Tatum identified problematic workflows and recommended ERP system upgrades.

SITUATION

International Rectifier needed executive financial leadership during this critical time.

TATUM CFO SERVICES

Tatum's interim CFO led the restatement and current reporting process and gave International Rectifier the time needed to recruit a permanent CFO.

Billion dollar semiconductor pioneer tackles five years of restatements under intense regulatory scrutiny

"Tatum's work freed me to work on strategy and on running the company."

Oleg Khaykin, President and Chief Executive Officer, International Rectifier Corporation

Why Tatum

International Rectifier had previously engaged Tatum Accounting and Financial Services to help with certain restatement activities. Due to the success of that engagement, the company was well acquainted with Tatum's reputation and capabilities, so it approached Tatum for executive services. International Rectifier needed an interim CFO capable of leading the restatement process while recruiting a permanent CFO.

"Finding the right CFO takes time," said International Rectifier President and CEO Oleg Khaykin. "In the meantime, we needed someone focused on moving forward to bring the restatement effort to a close."

Facing an extended period of time with an overcommitted acting CFO, considerable regulatory demands and looming deadlines, Tatum leaders recognized that International Rectifier was critically understaffed. International Rectifier didn't need just an interim CFO with both deep experience and strong leadership capabilities; it needed support staff with specialized skills who could step in at a moment's notice.

Tatum delivered. A senior-level financial executive, who served initially as a consultant, was soon named acting CFO. Accompanying him were hand-picked Tatum Controllers who filled expertise gaps required for the Office of the CFO to operate efficiently.

Results

The newly installed financial leaders actively participated in negotiating extensions of the company's filing deadlines. Systems evaluations identified 72 work flows in need of remediation and the implementation of automated controls to replace manual processing. Furthermore, to satisfy restatement needs, the Tatum team, working with the company and other advisors, reconstructed certain financial information spanning five years.

To keep all parties working effectively toward a common goal, Tatum accelerated weekly meetings into twice-daily sessions and developed several white papers that defined the key finance and accounting issues. Tatum also provided key support to help International Rectifier thwart an unsolicited tender offer just after the restatement period.

"It was my impression that having an acting CFO who could explain the issues to investors provided added credibility with investors at a critical time," said Khaykin.

International Rectifier filed its restatement in compliance with regulatory requirements of the SEC and NYSE. Meanwhile, the company was able to bring on a permanent CFO. With Tatum's help, International Rectifier also was able

to identify numerous improvements in governance, internal control, accounting, financial reporting and management processes.

"Being able to quickly get a highly experienced financial team in place was the biggest value for me and the board," said Khaykin.



About Tatum

Companies turn to Tatum when critical business challenges arise because we immediately deliver C-level financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and our VELOCI-T solutions were designed to help business leaders accelerate results to create more value.™

©2010, Tatum. All rights reserved. Tatum, the Tatum logo, Create more value., and Tatum Way are trademarks of Tatum.

www.TatumLLC.com
888.TATUM11

REGIONAL OFFICES
Northeast • Southeast
Texas • Pacific • Central