

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-4298

COHU, INC
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
Incorporation or Organization)

95-1934119
(I.R.S. Employer Identification No.)

5755 KEARNY VILLA ROAD, SAN DIEGO, CALIFORNIA
(Address of principal executive office)

92123
(Zip Code)

Registrant's telephone number, including area code 619-277-6700

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.

Yes X No
----- -----

As of March 31, 1996, the Registrant had 9,237,805 shares of its \$1.00 par value common stock outstanding.

COHU, INC.
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FORM 10-Q
MARCH 31, 1996

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COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	MARCH 31, 1996 ----- (Unaudited)	DECEMBER 31, 1995 -----
Current assets:		
Cash and cash equivalents	\$ 34,666	\$ 28,874
Accounts receivable, less allowance for doubtful accounts	27,425	27,572
Inventories, at lower of average cost or market:		
Finished goods	4,772	3,466
Work in process	9,192	7,759
Raw materials and purchased parts	9,929	10,019
	-----	-----
	23,893	21,244
Deferred income taxes	9,413	9,413
Prepaid expenses	1,004	973
	-----	-----
Total current assets	96,401	88,076
Property, plant and equipment, at cost:		
Land and land improvements	1,150	1,150
Buildings and building improvements	11,437	10,355
Machinery and equipment	13,090	11,697
	-----	-----
	25,677	23,202
Less accumulated depreciation and amortization	10,354	10,031
	-----	-----
Net property, plant and equipment	15,323	13,171
Goodwill, net	2,587	2,626
Other assets	60	61
	-----	-----
	\$114,371	\$103,934
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,259	\$ 7,453
Income taxes payable	6,715	7,062
Other accrued liabilities	14,467	16,333
	-----	-----
Total current liabilities	33,441	30,848
Accrued retiree medical benefits	881	859
Deferred income taxes	198	198
Stockholders' equity:		
Preferred stock	-	-
Common stock	9,238	9,092
Paid in excess of par	4,495	4,252
Retained earnings	66,118	58,685
	-----	-----
Total stockholders' equity	79,851	72,029
	-----	-----
	\$114,371	\$103,934
	=====	=====

See accompanying notes.

COHU, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)
 (in thousands, except per share amounts)

	Three Months Ended March 31,	
	1996	1995
	-----	-----
Net sales	\$50,232	\$32,182
Cost and expenses:		
Cost of sales	27,348	19,359
Research and development	3,528	2,235
Selling, general and administrative	6,873	4,932
	-----	-----
Income from operations	12,483	5,656
Interest income	411	34
Interest expense	-	(10)
	-----	-----
Income before income taxes	12,894	5,680
Provision for income taxes	5,000	2,200
	-----	-----
Net income	\$ 7,894	\$ 3,480
	=====	=====
Net income per share	\$ 0.81	\$ 0.37
	=====	=====
Average common shares and equivalents	9,705	9,396
	=====	=====

See accompanying notes.

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COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	1996	1995
	-----	-----
Cash flows from operating activities:		
Net income	\$ 7,894	\$ 3,480
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	362	394
Daymarc earnout to be paid in stock	414	-
Increase in accrued retiree medical benefits	22	14
Changes in assets and liabilities:		
Accounts receivable	147	(2,551)
Inventories	(2,649)	(2,303)
Prepaid expenses	(31)	(41)
Accounts payable	4,806	4,085
Income taxes payable	(347)	1,236
Other accrued liabilities	(2,280)	(1,203)
	-----	-----
Net cash provided from operating activities	8,338	3,111
Cash flows from investing activities:		
Purchases of property, plant, equipment and other assets	(2,474)	(174)
	-----	-----
Net cash used for investing activities	(2,474)	(174)
Cash flows from financing activities:		
Reduction in long-term borrowings	-	(1,400)
Issuance of stock, net	389	319
Cash dividends	(461)	(312)
	-----	-----
Net cash used for financing activities	(72)	(1,393)
	-----	-----
Net increase in cash and cash equivalents	5,792	1,544
Cash and cash equivalents at beginning of period	28,874	3,096
	-----	-----
Cash and cash equivalents at end of period	\$34,666	\$ 4,640
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 5,335	\$ 964
Interest	-	10

See accompanying notes.

- 1 - The accompanying interim financial statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair statement of the results for the period. The operating results for the three months ended March 31, 1996 are not necessarily indicative of the operating results for the entire year. These financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
- 2 - Per share information is based on the weighted average number of shares outstanding during each period and the dilutive effect of the assumed exercise of stock options.
- 3 - In October 1995, the Financial Accounting Standards Board (FASB) issued statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which provides an alternative to APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based compensation issued to employees. The Statement allows for a fair value-based method of accounting for employee stock options and similar equity instruments. However, for companies that continue to account for stock-based compensation arrangements under Opinion No. 25, Statement No. 123 requires disclosure of the pro forma effect on net income and earnings per share of its fair value-based accounting for those arrangements. These disclosure requirements are effective for fiscal years beginning after December 15, 1995. The Company plans to continue to account for stock-based compensation under Opinion No. 25.

In March 1995, the FASB issued Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets for which disposal is expected. The Company adopted Statement 121 in the first quarter of 1996 and such adoption did not have a material impact on its financial condition and results of operations.

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
MARCH 31, 1996

RESULTS OF OPERATIONS

Net sales increased 56% to \$50.2 million in the first quarter of 1996 compared to net sales of \$32.2 million in 1995. Sales of semiconductor test handling equipment by the Company's Delta Design and Daymarc subsidiaries increased an aggregate of 73% in 1996 and accounted for 82% of consolidated net sales in the first quarter of 1996. Sales of television cameras and equipment increased 5% while the combined sales of metal detection and microwave equipment increased 13% over 1995. Gross margin as a percentage of net sales in the first quarter of 1996 was approximately 46% versus 40% in 1995. The increase in margin was due to the increasing percentage of total net sales attributable to semiconductor equipment which has higher margins than television and other equipment. Within the semiconductor equipment segment margins improved due to production efficiencies, volume material purchase discounts, price increases in certain product lines and reduced provisions for excess and obsolete inventories as a percentage of net sales. Research and development expense as a percentage of net sales was 7% in the first quarter of 1996 and 1995. Selling, general and administrative expense increased 39% in 1996 over 1995 but decreased as a percentage of net sales from 15% to 14%. Interest income in the quarter increased to \$.4 million due to the significant increase in cash and cash equivalents. The provision for income taxes expressed as a percentage of pre-tax income was 39% in the first quarter of 1996 and for the year ended December 31, 1995. For the first fiscal quarter, as a result of the factors set forth above, net income increased 127% to \$7.9 million in 1996 from \$3.5 million in 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash flows generated from operating activities in the first quarter of 1996 totaled \$8.3 million. The major components of cash flows from operating activities were net income of \$7.9 million, increased inventory of \$2.6 million and increased accounts payable of \$4.8 million due mainly to inventory purchases. Net cash used for investing activities was \$2.5 million and was used for the purchase of property, plant and equipment. Net cash used for financing activities was \$72,000. Cash used for financing activities included \$.5 million for the payment of dividends offset by \$.4 million received from the issuance of stock upon the exercise of stock options. The Company has \$3 million available under its bank line of credit and working capital of \$63 million at March 31, 1996. It is anticipated that present working capital, profitable operations and available borrowings under the line of credit will be sufficient to meet the Company's 1996 operating requirements and the remaining anticipated capital expenditures for 1996 of approximately \$2.5 million.

BUSINESS RISKS AND UNCERTAINTIES

The Company's operating results are substantially dependent on the semiconductor test handling equipment business conducted through its Delta Design and Daymarc subsidiaries. This capital equipment business is in turn highly dependent on the overall strength of the semiconductor industry. Worldwide demand for semiconductors has historically been subject to substantial cyclical swings and price volatility. The Company's favorable operating results in 1995 and the first quarter

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

BUSINESS RISKS AND UNCERTAINTIES (cont.)

of 1996 benefited from the record growth in worldwide demand for and production of semiconductors. There can be no assurance that such growth can be sustained.

Recent announcements by certain semiconductor manufacturers and the declining book to bill ratio indicate there has been a slowdown in demand for semiconductors, particularly in the personal computer market. This slowdown may impact the Company's operating results in the second half of 1996. In addition, as is common in the industry, the Company relies on a limited number of customers for a substantial percentage of its net sales (two customers accounted for 37% of net sales in the first quarter of 1996 and 35% for the year ended December 31, 1995). The loss of or a significant reduction in orders by either of these or other significant customers not compensated for by other customer orders could adversely impact the Company's annual and quarter to quarter results of operations.

Semiconductor equipment and processes are subject to rapid technological change. The Company believes that its future success will depend in part on its ability to enhance existing products and develop new products that enable semiconductor manufacturers to handle and test semiconductors more efficiently. Failure to introduce new products in a timely manner, the introduction by competitors of products with perceived or actual advantages or disputes over rights of the Company or its competitors to use certain intellectual property or technology could result in a loss of competitive position and reduced sales of existing products.

Due to these and other factors, historical results may not necessarily be indicative of results of operations for any future period. In addition, certain matters discussed above are forward looking statements that are subject to the risks and uncertainties noted herein and the other risk factors listed from time to time in the Company's SEC reports, including but not limited to the 1995 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (A) Exhibits:
27.1 - Financial Data Schedule (Filed electronically)
- (B) Reports on Form 8-K: The Company did not file any reports on Form 8-K during the quarter ended March 31, 1996.

SIGNATURES

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

COHU, INC.

(Registrant)

Date: April 30, 1996

/s/ Charles A. Schwan

Charles A. Schwan
President & Chief Executive
Officer

Date: April 30, 1996

/s/ John H. Allen

John H. Allen
Vice President, Finance & Chief
Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 1995 AND 1996 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	
DEC-31-1995	
JAN-01-1996	
MAR-31-1996	
	34,666
	0
	27,425
	0
	23,893
96,401	25,677
10,354	
114,371	
33,441	0
9,238	0
	0
	70,613
114,371	
	50,232
50,232	
	27,348
	27,348
	0
	0
	0
	12,894
	5,000
7,894	
	0
	0
	0
	7,894
	.81
	.81