

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995  
-----

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  
-----

95-1934119  
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(State or other jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer Identification No.)

5755 Kearny Villa Road, San Diego, California  
-----

92123  
-----

(Address of principal executive office)

(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

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4,470,722  
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(Number of shares of common stock outstanding as of March 31, 1995)

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## CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1995 ----- (Unaudited)	December 31, 1994 -----
Current assets:		
Cash and cash equivalents	\$ 4,640,000	\$ 3,096,000
Accounts receivable, less allowance for doubtful accounts	23,038,000	20,487,000
Inventories, at lower of average cost or market:		
Finished goods	4,621,000	3,920,000
Work in process	10,217,000	8,800,000
Material and parts	15,906,000	15,721,000
	-----	-----
	30,744,000	28,441,000
Deferred income taxes	3,250,000	3,250,000
Prepaid expenses	679,000	638,000
	-----	-----
Total current assets	62,351,000	55,912,000
Property, plant and equipment, at cost:		
Land and land improvements	150,000	150,000
Buildings and building improvements	7,775,000	7,721,000
Machinery and electronic test equipment	7,320,000	7,314,000
Office furniture and fixtures	3,351,000	3,251,000
	-----	-----
	18,596,000	18,436,000
Less accumulated depreciation and amortization	9,612,000	9,357,000
	-----	-----
Net property, plant and equipment	8,984,000	9,079,000
Goodwill, net	3,190,000	3,315,000
Other assets	62,000	62,000
	-----	-----
	\$74,587,000	\$68,368,000
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and commissions payable	\$12,684,000	\$ 8,599,000
Income taxes payable	3,166,000	1,930,000
Other accrued liabilities	6,100,000	7,303,000
	-----	-----
Total current liabilities	21,950,000	17,832,000
Long-term note payable to bank	--	1,400,000
Accrued retiree medical benefits	815,000	801,000
Deferred income taxes	964,000	964,000
Stockholders' equity:		
Preferred stock	--	--
Common stock	4,471,000	4,405,000
Paid in excess of par	6,763,000	6,510,000
Retained earnings	39,624,000	36,456,000
	-----	-----
Total stockholders' equity	50,858,000	47,371,000
	-----	-----
	\$74,587,000	\$68,368,000
	=====	=====

See accompanying notes

## CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	1995	1994
	-----	-----
	(Unaudited)	
Net sales	\$ 32,182,000	\$17,518,000
Cost and expenses:		
Cost of sales	19,359,000	10,452,000
Research and development	2,235,000	1,534,000
Selling, general and administrative	4,932,000	2,970,000
	-----	-----
Income from operations	5,656,000	2,562,000
Interest income	34,000	19,000
Interest expense	(10,000)	--
	-----	-----
Income before income taxes	5,680,000	2,581,000
Provision for income taxes	2,200,000	950,000
	-----	-----
Net income	\$ 3,480,000	\$ 1,631,000
	=====	=====
Net income per share	\$ .74	\$ .39
	=====	=====

See accompanying notes

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 1995	1994
	-----	-----
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 3,480,000	\$ 1,631,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	394,000	245,000
Increase in accrued retiree medical benefits	14,000	15,000
Changes in assets and liabilities:		
Accounts receivable	(2,551,000)	(4,772,000)
Inventories	(2,303,000)	(2,303,000)
Prepaid expenses	(41,000)	(29,000)
Accounts and commissions payable	4,085,000	4,010,000
Income tax payable	1,236,000	150,000
Accrued liabilities	(1,203,000)	237,000
	-----	-----
Net cash provided from (used by) operating activities	3,111,000	(816,000)
Cash flows from investing activities:		
Purchase of equipment	(174,000)	(90,000)
	-----	-----
Net cash used for investing activities	(174,000)	(90,000)
Cash flows from financing activities:		
Reduction in long-term borrowings	(1,400,000)	--
Sale of stock, net	319,000	56,000
Dividends paid	(312,000)	(245,000)
	-----	-----
Net cash used for financing activities	(1,393,000)	(189,000)
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,544,000	(1,797,000)
Cash and cash equivalents at beginning of period	3,096,000	3,911,000
	-----	-----
Cash and cash equivalents at end of period	\$ 4,640,000	\$ 2,114,000
	=====	=====

See accompanying notes

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 1 - The accompanying financial information is unaudited but includes 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, 1995 are not necessarily indicative of the operating results for the entire year.
- 2 - Per share information is based on the weighted average common shares and common share equivalents outstanding during each period. The shares that were used in the calculation of net income per share for the three months ended March 31, 1995 were 4,698,000 and 4,221,000 shares, respectively.
- 3 - On June 22, 1994 the Company acquired Daymarc Corporation, a privately-held manufacturer of gravity feed semiconductor test handling equipment that complements the pick and place test handling equipment manufactured by Delta Design. The Company issued 280,000 shares of Cohu common stock, an option to purchase 70,000 shares of Cohu common stock and paid \$4,000,000 in cash to the securityholders of Daymarc. In addition, performance-based consideration may be payable in Cohu common stock and cash which could total approximately \$8,000,000 over the next four years. The acquisition has been accounted for as a purchase and goodwill will be amortized on a straight-line basis over twenty years. The Company's consolidated financial statements include the results of Daymarc from June 22, 1994 forward. The \$4,000,000 payment made to securityholders of Daymarc was funded by borrowing \$4,000,000 of long term debt payable over four years.

Assuming that the acquisition of Daymarc had occurred on the first day of the Company's year ended December 31, 1994, pro forma condensed consolidated results of operations would be as follows:

Pro Forma Results of Operations  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended March 31, 1994 -----
Net sales	\$25,132
Net income	2,653
Net income per share	.59

These results give effect to pro forma adjustments that include the amortization of goodwill, issuance of 280,000 shares of Cohu common stock and interest expense on long term debt.

This pro forma information is not necessarily indicative of the actual results that would have been achieved had Daymarc been acquired the first day of the Company's year ended December 31, 1994.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Quarter 1995 compared to First Quarter 1994

Net sales increased 84% to \$32,182,000 in 1995 compared to sales of \$17,518,000 in 1994. Sales of semiconductor test handling equipment increased 129% in 1995 with 67% of the increase due to increased sales of pick and place handling equipment by Delta Design and 62% of the increase attributable to the inclusion of Daymarc's operating results in 1995. Sales of television cameras and equipment increased 25% while the combined sales of metal detection and microwave equipment increased slightly in 1995. Gross Margins as a percentage of sales remained constant at approximately 40% for 1995 and 1994. Research and development expense as a percentage of sales decreased to 7% in 1995 from an abnormally high 9% in 1994. Selling, general and administrative expense decreased to 15% in 1995 from 17% in 1994 due to cost containment measures and lower commissions and selling expenses on semiconductor test handling equipment. The provision for income taxes expressed as a percentage of pre-tax income was 39% in both 1995 and the year ended December 31, 1994. Net income increased 113% to \$3,480,000 in 1995 from \$1,631,000 in 1994.

The Company's results are substantially dependent on the results of the semiconductor test handling equipment business conducted by its wholly-owned subsidiaries, Delta Design and Daymarc Corporation. 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 of varying duration and magnitude, and is currently in a period of relative strength. The Company's favorable results in recent periods are in part reflective of this current strength in the semiconductor industry. The Company cannot predict how long the current period of relative strength will continue. The Company's backlog can be expected to decline concurrently with or possibly in advance of the next period of relative weakness in worldwide demand for semiconductors. The Company attempts to keep its production capacity, labor force and other aspects of its cost structure in line with expected demand.

Liquidity - The Company's net cash flows generated from operating activities was \$3,111,000. Accounts receivable increased \$2,551,000 due to higher first quarter sales. Inventory increased \$2,303,000 in anticipation of increased future sales. Accounts and commission payables increased \$4,085,000 mainly due to purchases related to the increase in inventory and increased sales. Net cash used for investing activities was \$174,000 which was used for the purchase of equipment. Net cash used for financing activities was \$1,393,000. Cash used by financing activities included a \$1,400,000 final payment on long-term borrowing and \$312,000 cash used for dividends. The Company has \$3,000,000 available under its current short term line of credit and working capital of \$40,401,000. It is anticipated that present working capital, profitable operations and available borrowings under the credit line will be sufficient to meet the Company's normal operating requirements and the anticipated capital expenditures for 1995 of approximately \$2,000,000.

Part II

Items not applicable

The information set forth herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim period shown.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1935, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COHU, INC.

Date: 5/11/95  
-----

/s/ J.W. BARNES  
-----  
J. W. Barnes, President & CEO

Date: 5/11/95  
-----

/s/ CHARLES A. SCHWAN  
-----  
Charles A. Schwan, VP-Finance



This schedule contains summary financial information extracted from the company's Consolidated Balance Sheet at March 31, 1995 and the Consolidated Statement of Income for the three months ended March 31, 1995 and is qualified in its entirety by reference to such financial statements.

1  
U.S. DOLLARS

3-MOS	
	DEC-31-1995
	JAN-01-1995
	MAR-31-1995
	1
	4,640,000
	0
	23,038,000
	0
	30,744,000
	62,351,000
	18,596,000
	9,612,000
	74,587,000
21,950,000	
	0
	4,471,000
0	
	0
	46,387,000
74,587,000	
	32,182,000
	0
	19,359,000
	26,502,000
	0
	0
	10,000
	5,680,000
	2,200,000
3,480,000	
	0
	0
	0
	3,480,000
	.74
	0