

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE
QUARTERLY PERIOD ENDED SEPTEMBER 28, 1996 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 0-20388

LITTELFUSE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

36-3795742
(I.R.S. Employer
Identification No.)

800 East Northwest Highway
Des Plaines, Illinois
(Address of principal executive offices)

60016
(Zip Code)

Registrant's telephone number, including area code:
(847) 824-1188

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

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No

As of September 28, 1996, 9,899,679 shares of common stock, \$.01 par value, of the Registrant and warrants to purchase 2,091,782 shares of common stock, \$.01 par value, of the Registrant were outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	PAGE
Item 1. Consolidated Condensed (unaudited) Statements of Income, Financial Condition, and Cash Flows and Notes to the Consolidated Condensed Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	6
PART II - OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K.....	9

Part I - Financial Information

Item 1.

CONSOLIDATED CONDENSED
STATEMENTS OF INCOME
(In thousands, except per share data)
(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
Net sales	\$ 60,483	\$ 54,688	\$180,404	\$167,091
Cost of sales	35,948	32,484	106,910	98,900
Gross profit	24,535	22,204	73,494	68,191
Selling, administrative and general expenses	13,139	12,164	40,108	36,929
Amortization of intangibles	1,763	1,632	5,293	4,893
Operating income	9,633	8,408	28,093	26,369
Interest expense	1,111	1,019	3,275	3,276
Other income, net	(189)	(99)	(551)	(271)
Income before income taxes	8,711	7,488	25,369	23,364
Income taxes	3,136	2,658	9,133	8,294
Net income	\$ 5,575	\$ 4,830	\$ 16,236	\$ 15,070
Net income per share	\$ 0.47	\$ 0.39	\$ 1.35	\$ 1.21
Weighted average number of common and common equivalent shares outstanding	11,806	12,504	12,036	12,503

CONSOLIDATED CONDENSED
STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	September 28, 1996 (Unaudited)	December 31, 1995
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 544	\$ 1,308
Accounts receivable	40,161	29,722
Inventories	31,814	30,076
Deferred income taxes	1,336	1,336
Prepaid expenses and other	1,924	2,581
Total current assets	75,779	65,023
Property, plant, and equipment, net	62,465	61,229
Reorganization value, net	45,786	48,056
Patents and other identifiable intangible assets, net	24,863	27,971
Prepaid pension cost and other assets	3,598	2,907
	\$212,491	\$205,186
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	29,111	27,390
Accrued income taxes	10,832	8,362
Current portion of long-term debt	9,925	10,065
Total current liabilities	49,868	45,817
Long-term debt, less current portion	52,587	40,804
Deferred income taxes	4,637	4,615
Minority Interest	338	568
Shareholders' equity:		
Preferred stock, par value \$.01 per share: 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$.01 per share: 19,000,000 shares authorized; 9,899,679 and 10,086,000 shares issued and outstanding	101	102
Cost of treasury stock, 1996 - 368,130 shares; 1995 - 110,000 shares	(12,203)	(3,533)
Additional paid-in capital	56,813	72,364
Notes receivable - common stock	(571)	(571)
Foreign translation adjustment	(479)	(120)
Retained earnings	61,400	45,140
Total shareholders' equity	\$105,061	\$113,382
	\$212,491	\$205,186

CONSOLIDATED CONDENSED
STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
Operating activities:				
Net income	\$ 5,575	\$ 4,830	\$16,236	\$15,070
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	3,634	2,941	10,132	8,505
Amortization	1,763	1,631	5,293	4,893
Provision for bad debts	108	61	322	307
Deferred income taxes	-	-	22	-
Minority interest	(60)	-	(201)	-
Changes in operating assets and liabilities:				
Accounts receivable	(2,489)	(399)	(11,075)	(7,296)
Inventories	(1,504)	(118)	(2,072)	1,501
Accounts payable and accrued expenses	146	278	1,887	8
Other, net	502	(903)	3,355	2,111
Net cash provided by operating activities	7,675	8,321	23,899	25,099
Cash used in investing activities:				
Purchases of property, plant, and equipment, net	(4,418)	(2,740)	(12,376)	(9,567)
Cash used in financing activities:				
Proceeds/(payments) of long- term debt, net	(2,017)	(3,016)	11,940	(12,549)
Proceeds from exercise of stock options	1	202	1,084	1,059
Purchase of common stock and warrants	(2,660)	(2,251)	(25,400)	(2,251)
Other, net	-	(17)	-	(731)
	(4,676)	(5,082)	(12,376)	(14,472)
Effect of exchange rate changes on cash	72	(6)	89	58
Increase (decrease) in cash and cash equivalents	(1,347)	493	(764)	1,118
Cash and cash equivalents at beginning of period	1,891	1,887	1,308	1,262
Cash and cash equivalents at end of period	\$ 544	\$2,380	\$ 544	\$ 2,380

Notes to Consolidated Condensed Financial Statements
(Unaudited)

September 28, 1996

1. Basis of Presentation

Littelfuse, Inc. and its subsidiaries (the "Company") are the successors in interest to the components business previously conducted by subsidiaries of Tracor Holdings, Inc. ("Predecessor"). The Company acquired its business as a result of the Predecessor's reorganization activities concluded on December 27, 1991.

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring items, considered necessary for a fair presentation have been included. Operating results for the period ended September 28, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending December 28, 1996. For further information, refer to the Company's consolidated financial statements and the notes thereto as of December 31, 1995, included in the Company's Annual Report on Form 10-K.

Beginning in 1996, the Company changed its fiscal year end to the Saturday nearest December 31 and reports its quarterly interim financial information on the basis of periods of thirteen weeks. Previously the Company reported on a calendar year and quarter basis. The consolidated condensed statements of operations and cash flows for the three months ended September 28, 1996 are for the period from June 29, 1996 to September 28, 1996.

2. Inventories

The components of inventories are as follows (in thousands):

	September 28, 1996	December 31, 1995
Raw material	\$ 9,067	\$ 8,823
Work in process	3,091	3,445
Finished goods	19,656	17,808
Total	\$31,814	\$ 30,076

3. Per Share Data

Net income per share amounts for the three months and nine months ended September 28, 1996 and September 30, 1995 are based on the weighted average number of common and common equivalent shares outstanding during the periods as follows (in thousands, except per share data):

	Three months ended		Nine months ended	
	Sept. 28, 1996	Sept. 30, 1995	Sept. 28, 1996	Sept. 30, 1995
Average shares outstanding	9,926	10,134	9,958	10,116
Net effect of dilutive stock options and warrants				
- Primary	1,880	2,370	2,078	2,347
- Fully diluted	1,907	2,370	2,109	2,387
Average shares outstanding				
- Primary	11,806	12,504	12,036	12,463
- Fully diluted	11,833	12,504	12,067	12,503
Net income	\$ 5,575	\$ 4,830	\$16,236	\$15,070
Net income per share				
- Primary	\$ 0.47	\$ 0.39	\$ 1.35	\$ 1.21
- Fully diluted	\$ 0.47	\$ 0.39	\$ 1.35	\$ 1.21

4. Long Term Debt

The Company concluded a financing package on August 31, 1993. The package consists of \$45,000,000 of Senior Notes issued pursuant to a Note Purchase Agreement which requires annual principal payments of \$9,000,000 payable annually beginning August 31, 1996 through August 31, 2000. The package also includes a bank Credit Agreement which provides an open revolver line of credit of \$65,000,000 less current borrowings subject to a maximum indebtedness calculation and other traditional covenants. No revolver principal payments are required until the line matures on August 31, 2000. At September 28, 1996 the Company had available \$41.5 million of borrowing capability under the revolver facility

Item 2. Management's Discussion and Analysis
of Financial Condition and Results of Operations

Results of Operations

Sales increased 11 percent to \$60.5 million the third quarter of 1996 compared to \$54.7 million the third quarter of 1995. Operating income and net income each increased 15 percent to \$9.6 and \$5.6 million respectively for the quarter compared to the third quarter of last year. Earnings per share increased 21 percent to \$0.47 per share the third quarter of 1996 compared to \$0.39 per share the third quarter of 1995.

Cash flow from operations was \$7.7 million the third quarter of 1996. The Company repurchased 75,000 shares of its common stock for \$2.7 million during the quarter and made capital investments of \$4.4 million. The debt to equity ratio was 0.60 to 1 at September 28, 1996 compared to 0.45 to 1 at year end 1995 and 0.48 to 1 at September 30, 1995.

Third Quarter, 1996

Littelfuse enjoyed a sales increase of 11 percent to \$60.5 million the third quarter 1996 from \$54.7 million the same period last year. The gross margin was 40.6 percent for the quarter both years. Operating income increased to 15.9 percent of sales the third quarter this year from 15.4 percent last year. Net income increased 15 percent to \$5.6 million the third quarter this year compared to \$4.8 million last year. Earnings per share increased 21 percent to \$0.47 compared to \$0.39 partly due to fewer equivalent shares outstanding related to our share repurchase program.

Third quarter 1996 sales grew \$5.8 million compared to the same quarter last year. Very strong automotive OEM sales in Europe spurred 21 percent sales growth in U.S. dollars and 26 percent sales growth in local currency. A portion of Europe's automotive OEM sales were due to a non-recurring item approximating \$0.7 million accounting for 9 percent of the 21 percent sales growth for the quarter. Very strong electronics sales, particularly in Japan, spurred 24 percent sales growth in Asia Pacific. Respectable automotive and power fuse sales spurred 5 percent sales growth in North America.

Electronics sales grew to \$27.8 million in the third quarter 1996 from \$25.8 million the same quarter of last year for an increase of \$2.0 million or 8 percent. Sales were particularly strong in consumer electronics in Japan. Although electronics OEM gained some strength in North America and Europe in the third quarter, electronics distribution remained weak in North America and Europe and the personal computer and telecommunications markets remained weak in Southeast Asia. Automotive sales grew to \$23.2 million in the third quarter 1996 from \$19.9 million the same quarter last year for an increase of \$3.3 million or 16 percent. The European automotive OEM business was very strong and would have shown quite respectable growth even without the \$0.7 million non-recurring sale. The North American automotive OEM business also was

quite strong in the quarter. Power fuse sales grew to \$9.5 million in the third quarter 1996 from \$9.0 million the same quarter last year for an increase of \$0.5 million or 6 percent. The Company believes that its electrical business sales continue to grow faster than the electrical industry in general.

Gross profit was \$24.5 million or 40.6 percent of sales for the third quarter 1996 compared to \$22.2 million or 40.6 percent last year. North America gross margins improved compared to last year, while Europe declined slightly due to currency and Asia Pacific declined slightly due to the start up of the China operations and the assimilation of the Korean operations.

Selling, general and administrative expenses were \$13.1 million or 21.7 percent of sales for the third quarter 1996, compared to \$12.2 million or 22.2 percent of sales for the same quarter last year. Selling expenses accounted for approximately two-thirds of the expenses both quarters. The S,G&A expenses as a percent of sales decreased slightly due to lower selling and to lower R&D expense as a percent of sales for the quarter. The amortization of the reorganization value and other intangibles was 2.9 percent of sales for the third quarter 1996 and 3.0 percent of sales for the third quarter of last year. Total S,G&A expenses including intangibles amortization were 24.6 percent of sales the third quarter 1996 compared to 25.2 percent the same quarter last year.

Operating income was \$9.6 million or 15.9 percent of sales for the third quarter 1996 compared to \$8.4 million or 15.4 percent last year.

Interest expense was \$1.1 million for the third quarter 1996 compared to \$1.0 million last year partly due to the Company's stock repurchase program. Other income, net, was \$0.2 million for the third quarter compared to \$0.1 million last year. Income before taxes was \$8.7 million for the third quarter 1996 compared to \$7.5 million last year. Income taxes were \$3.1 million with an effective tax rate of 36 percent for the third quarter 1996 compared to \$2.7 million with an effective tax rate of 35.5 percent the third quarter of last year.

Net income for the third quarter 1996 was \$5.6 million or \$0.47 per share compared to \$4.8 million or \$0.39 per share last year.

Nine Months, 1996

Sales increased 8 percent to \$180.4 million from \$167.1 million last year. Cash provided by operations before interest expense was \$27.2 million and after interest expense was \$23.9 million. Earnings per share increased 12 percent to \$1.35 the first nine months of 1996 compared to \$1.21 for the same period last year.

The automotive sales trend has been very strong the first nine months of 1996. However, electronics sales growth has been noticeably lower in the first nine months of this year compared to recent years. Nine months electronics sales were up 5 percent at \$83.3 million compared to \$79.5 million last year. Asia Pacific business has been very strong, particularly consumer electronics in Japan. Automotive sales were up 13 percent at \$71.0 million compared to \$63.0 million last year. Recent European automotive sales

growth has been even stronger than our quite respectable North American automotive sales growth. Power fuse sales were up 6 percent to \$26.2 million from \$24.6 million last year. This business has benefited from improving economic conditions and market share gains associated with our new product introductions.

Gross profit was 40.7 percent or \$73.5 million for the first nine months of 1996 compared to 40.8 percent or \$68.2 million the first nine months of last year. The slight decline in the gross profit this year is due to start up costs associated with our new operations in Asia Pacific -- the new greenfield plant in China and the new joint venture in Korea.

Selling, general and administrative expenses were 22.2 percent of sales for the first nine months 1996 compared to 22.1 percent of sales last year. The increase in new systems implementation and foreign selling expenses were mostly offset by a decline in North American R&D and other general and administrative expenses. The amortization of intangibles was 2.9 percent of sales for the first nine months of both years. Total S,G & A expenses including intangibles amortization were 25.2 percent of sales the first nine months 1996 compared to 25.0 percent of sales the first nine months of last year.

Operating income was \$28.1 million or 15.6 percent of sales the first nine months 1996 compared to \$26.4 million or 15.8 percent last year.

Interest expense was \$3.3 million the first nine months of both years since the company has invested all its free cash flow after financial expenses and capital expenditures the past twelve months in the repurchase of its own common stock and warrants. Other income, net was \$0.6 million the first nine months 1996 compared to \$0.3 million last year. Income before taxes was \$25.4 million the first nine months 1996 compared to \$23.4 million the first nine months of last year.

Income taxes were \$9.1 million the first nine months 1996 compared to \$8.3 million last year. The year to date effective rate is 36 percent for 1996 compared to 35.5 percent last year.

Net income the first nine months 1996 was \$16.2 million compared to \$15.1 million last year. Earnings per share the first nine months of 1996 increased 12 percent to \$1.35 per share compared to \$1.21 per share last year.

Liquidity and Capital Resources

Assuming no material adverse changes in market conditions or interest rates, management expects that the Company will have sufficient cash from operations to support its operations, its capital expenditures and its current debt obligations for the foreseeable future.

Littelfuse started the 1996 year with \$ 1.3 million of cash. Net cash provided by operations was \$23.9 million for the first nine months. Cash used to invest in property, plant and equipment was \$12.4 million. Cash used to repurchase stock and warrants was \$25.4 million, proceeds of option exercises were \$1.1 million, and proceeds of bank debt

were \$11.9 million for net financing of \$12.4 million use of cash. The net of cash provided by operations, less investing activities, less financing activities resulted in a decrease in cash of \$0.9 million. The effect of exchange rates on cash added \$0.1 million. This left the Company with a cash balance of approximately \$0.5 million at September 28, 1996.

The ratio of current assets to current liabilities was 1.5 to 1 at the end of the third quarter 1996, 1.4 to 1 at year end 1995, and 1.5 to 1 at the end of the third quarter 1995. The days sales in receivables was approximately 59 days at the end of the third quarter 1996 compared to 52 days at year end 1995 and 52 days at the end of the third quarter 1995. The increase in days sales in receivables is primarily due to the strong foreign sales (which have longer payment terms) and higher sales the second half of the quarter. The inventory turnover rate was approximately 4.5 turns at the end of the third quarter 1996 compared to 4.1 turns at year end 1995 and 5.2 turns at the end of the third quarter 1995. The lower turns is primarily due to the new China and Korean operations in Asia Pacific.

The Company's capital expenditures were \$12.4 million for the first nine months 1996. The Company expects that capital expenditures, which will be primarily for new machinery and equipment, will total approximately \$18.0 million in 1996. The ratio of debt to equity was 0.60 to 1 at the end of the first nine months 1996 compared to 0.45 to 1 at year end 1995. The debt to equity ratio increased due to the Company's repurchase of common shares and warrants.

The long term debt at the end of the first nine months 1996 consists of four types totaling \$62.5 million. They are as follows: (1) private placement notes totaling \$36.0 million, (2) bank revolver borrowings totaling \$23.5 million, (3) notes payable relating to income taxes and mortgages totaling \$1.3 million, and (4) other long-term debt totaling \$1.7 million. These four items include \$9.9 million of the bank revolver borrowings, tax notes and mortgage notes, which are considered to be current. This leaves net long term debt totaling \$52.6 million at September 28, 1996. The private placement notes carry an interest rate of 6.31 percent and the bank revolver debt carries an interest rate of prime or LIBOR plus 0.5%, which currently is approximately 6.3%. The Company had available at September 28, 1996, a revolver facility of \$41.5 million. The Company also has a \$3.0 million letter of credit facility of which approximately \$1.9 million was being used at September 28, 1996.

PART II - OTHER INFORMATION

Item 6: Exhibits and Reports on
Form 8-K

There were no reports on Form 8-K during the quarter ended September 28, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended September 28, 1996, to be signed on its behalf by the undersigned thereunto duly authorized.

Littelfuse, Inc.

Date: November 12, 1996 By /s/ James F. Brace
James F. Brace
Vice President, Treasurer,
and Chief Financial Officer
(As duly authorized officer and
as the principal financial and
accounting officer)

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LITTELFUSE, INC
1,000

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DEC-28-1996
SEP-28-1996

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	31,814	
	75,779	
		62,465
	3,634	
	212,491	
49,868		0
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	(12,203)	
212,491		180,404
	180,404	
		106,910
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	25,369	
	9,133	
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	16,236	
	1.35	
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