

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 June 29, 1997

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 1-5560

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ALPHA INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

04-2302115  
(I.R.S. Employer  
Identification No.)

20 SYLVAN ROAD, WOBURN, MASSACHUSETTS  
(Address of principal executive offices)

01801  
(Zip Code)

Registrant's telephone number, including area code: (617) 935-5150

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT JULY 27, 1997
COMMON STOCK, PAR VALUE \$.25 PER SHARE	10,014,190

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STATEMENT OF FAIR PRESENTATION

The financial information included herein is unaudited. In addition, the financial information does not include all disclosures required under generally accepted accounting principles because certain note information included in the Company's annual report to shareholders has been omitted and such information should be read in conjunction with the prior year's annual report. However, the financial information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The Company considers the disclosures adequate to make the information presented not misleading.

## Alpha Industries, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share amounts)

	JUNE 29, 1997 (UNAUDITED)	MARCH 30, 1997 (AUDITED)
-----		
ASSETS		
Current assets		
Cash and cash equivalents at cost.....	4,680	\$ 5,815
Short-term investments (approximates market)....	1,341	1,218
Accounts receivable.....	17,927	17,019
Inventories (Note 1).....	9,877	10,267
Prepayments and other current assets.....	1,294	857
	-----	-----
Total current assets.....	35,119	35,176
	-----	-----
Property, plant and equipment, less accumulated depreciation and amortization of \$56,084 and \$54,450.....	28,978	28,608
Other assets.....	1,549	1,469
	-----	-----
	\$65,646	\$ 65,253
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 1,902	\$ 2,939
Current maturities of capital lease obligations	138	230
Accounts payable.....	5,425	5,620
Repositioning reserve.....	988	1,106
Payroll and related expenses.....	5,824	5,359
Other accrued liabilities.....	2,123	1,513
	-----	-----
Total current liabilities.....	16,400	16,767
	-----	-----
Long-term debt.....	3,104	3,606
	-----	-----
Long-term capital lease obligations.....	9	8
	-----	-----
Other long-term liabilities.....	1,398	1,486
	-----	-----
Commitments and contingencies (Note 4)		
Stockholders' equity		
Common stock par value \$.25 per share: authorized 30,000,000 shares; issued 10,130,746 and 10,126,413 shares.....	2,532	2,531
Additional paid-in capital.....	54,826	54,640
Retained earnings (accumulated deficit).....	(12,406)	(13,516)
Less - Treasury shares 126,197 and 161,139 shares at cost.....	153	195
Unearned compensation-restricted stock.	64	74
	-----	-----
Total stockholders' equity.....	44,735	43,386
	-----	-----
	\$ 65,646	\$ 65,253
	=====	=====

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

Alpha Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

(In thousands except per share data)

	FIRST QUARTER ENDED	
	JUNE 29, 1997	JUNE 30, 1996
-----		
Net sales.....	\$25,705	\$20,066
Cost of sales.....	16,808	16,274
Research and development expenses.....	2,319	2,488
Selling and administrative expenses.....	5,262	5,387
	-----	-----
Operating income (loss).....	1,316	(4,083)
Interest expense.....	(145)	(117)
Interest income and other, net.....	62	172
	-----	-----
Income (loss) before income taxes.....	1,233	(4,028)
Provision (credit) for income taxes.....	123	(604)
	-----	-----
Net income (loss).....	\$ 1,110	\$(3,424)
	=====	=====
Net income (loss) per share.....	\$ 0.11	\$(0.35)
	=====	=====
Weighted average common shares and common share equivalents (Note 3).....	10,202	9,703
	=====	=====

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

## Alpha Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

	THREE MONTHS ENDED	
	JUNE 29, 1997	JUNE 30, 1996
-----		
Cash flows from operating activities:		
Net income (loss).....	\$ 1,110	\$(3,424)
Adjustments to reconcile net income (loss) to net cash provided from (used for) operations:		
Depreciation and amortization of property, plant and equipment.....	1,634	1,318
Contribution of treasury shares to Savings and Retirement Plan.....	214	---
Amortization of unearned compensation - restricted stock, net.....	10	16
(Decrease) increase in other liabilities and long-term benefits.....	(88)	52
(Increase) decrease in other assets.....	(85)	12
Change in assets and liabilities:		
Accounts receivable.....	(908)	2,095
Inventories.....	390	(2,384)
Other current assets.....	(437)	335
Accounts payable.....	(195)	(1,154)
Other accrued liabilities and expenses.....	1,075	80
Repositioning reserve.....	(118)	---
Net cash provided from (used for) operations.....	2,602	(3,054)
-----		
Cash flows from investing activities:		
Purchases of short-term investments.....	(843)	(2,475)
Maturities of short-term investments.....	720	1,003
Additions to property, plant and equipment.....	(2,004)	(2,306)
Net cash used in investing activities.....	(2,127)	(3,778)
-----		
Cash flows from financing activities:		
Payments on long-term debt.....	(1,539)	(81)
Deferred charges related to long-term debt.....	5	4
Payments on capital lease obligations.....	(91)	(100)
Exercise of stock options.....	15	52
Net cash used in financing activities.....	(1,610)	(125)
-----		
Net decrease in cash and cash equivalents.....	(1,135)	(6,957)
Cash and cash equivalents, beginning of period.....	5,815	11,326
Cash and cash equivalents, end of period.....	\$ 4,680	\$ 4,369
=====		
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The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

## NOTE 1 INVENTORIES

Inventories consist of the following (in thousands):

	JUNE 29, 1997	MARCH 30, 1997
Raw materials.....	\$ 4,788	\$ 4,886
Work-in-process.....	2,715	3,439
Finished goods.....	2,374	1,942
	-----	-----
	\$9,877	\$10,267
	=====	=====

## NOTE 2 COMPANY OPERATIONS

During the quarter ended June 29, 1997, one customer accounted for approximately 18% of the Company's sales.

## NOTE 3 EARNINGS PER SHARE

Earnings (loss) per common share for the three months ended June 29, 1997 and June 30, 1996 were computed using the weighted average number of outstanding common shares plus common stock equivalents, if applicable, of 10,202,421 and 9,703,175 shares, respectively.

## NOTE 4 COMMITMENTS AND CONTINGENCIES

The Company is party to suits and claims arising in the normal course of business. Management believes these are adequately provided for or will result in no significant additional liability to the Company.

PART I - ITEM 2

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

RESULTS OF OPERATIONS

Sales for the first quarter of fiscal 1998 totaled \$25.7 million compared with sales of \$20.1 million for the same period last year. New orders received in the quarter totaled \$26.9 million, compared to \$15.3 million for the same period last year, which was net of approximately \$4 million of order cancellations. The increase in sales and orders was the result of continued strong growth in demand for the Company's high-volume semiconductors, including GaAs (Gallium Arsenide) integrated circuits (IC), which are sold to original equipment manufacturers in the rapidly expanding wireless industry. In conjunction with this growth, sales to one customer represented approximately 18% of the Company's total sales for the first quarter of fiscal 1998.

Gross profit for the first quarter of fiscal 1998 totaled \$8.9 million compared with \$3.8 million for the comparable period last year. Gross profit improved primarily as the result of increased sales volumes and reduced manufacturing costs at Trans-Tech, the Company's ceramic component subsidiary. At the end of fiscal 1997, the Company eliminated excess and inefficient capacity at Trans-Tech while at the same time added capacity at the Company's Massachusetts plant.

Research and development expenses decreased for the first quarter of fiscal 1998 to \$2.3 million or 9% of sales compared to \$2.5 million or 12% of sales for the same quarter last year. As expected, the reduction in R&D is due to the refocusing of Trans-Tech and the discontinued investment of the digital radio product group which the Company sold in fiscal 1997. The Company is strongly committed to continuing its investment in the GaAs IC and high volume wireless products to better serve its targeted markets.

Selling and administrative expenses totaled \$5.3 million or 21% of sales for the first quarter of fiscal 1998, as compared with the same period last year of \$5.4 million or 27% of sales. The first quarter of fiscal 1998 included increased investments in the sales, marketing and administrative activities namely the addition of dedicated account managers for key wireless OEM manufacturers and improvements to the Company's information systems, such as adding Electronic Data Interchange (EDI) capabilities. Whereas, the first quarter of fiscal 1997 included \$900 thousand associated with severance costs related to various corporate executives.

Interest expense for the first quarter of fiscal 1998 increased \$28 thousand over the comparable period last year as the Company had a slight increase in short term borrowings. Interest income for the first quarter of fiscal 1998 decreased \$94 thousand compared to the same quarter last year. A higher level of short term investments was maintained during the first quarter of 1997 as a result of funds received from a secondary equity offering completed during fiscal 1996.

The Company's effective tax rate for the first quarter of fiscal 1998 was 10% compared to the current combined federal, state and foreign rate of approximately 40%. This rate differed from statutory rates primarily as a result of the utilization of net operating loss carryforwards. At June 29, 1997, the Company had available net operating loss carryforwards of approximately \$36 million which expire commencing in 2004. The first quarter of fiscal 1997 included a 15% income tax benefit as a result of the expected utilization of net operating loss carryforwards.

For the first quarter of fiscal 1998, the Company reported a net income of \$1.1 million or \$0.11 per share compared with a net loss of \$3.4 million or \$0.35 per share for the comparable period last year. The Company projects continued profitability based on the continued growth of the wireless communications industry and the focus of the Company on its major customers.

FINANCIAL CONDITION

At June 29, 1997, working capital totaled \$18.7 million and included \$6 million in cash, cash equivalents, and short-term investments, compared with \$18.4 million of working capital at the end of fiscal 1997. Cash decreased \$1.1 million for the first quarter of fiscal 1998 as operations generated \$2.6 million of cash principally from net income and depreciation and uses of cash included \$2 million for fixed assets and the \$1.5 million repayment of short-term debt. The Company continued its investments in capital expenditures particularly for the semiconductor wafer fab operation and the IC and discrete semiconductor assembly and test areas, as well as for improved manufacturing capabilities at the ceramics manufacturing facility. Recently the Company completed the expansion of its manufacturing capacity for the high-volume semiconductors. The Company remains strongly committed to adding the required capacity needed to service the wireless markets as demand continues to grow. The Company expects to generate sufficient cash from operations to fund the necessary capital investments needed to support projected levels of growth. With cash, cash equivalents, and short-term investments of \$6 million and a \$7.5 million line of credit currently available, the Company believes it has adequate funds to support its current operating needs. If necessary, the Company will evaluate other available sources of financing, such as sales leasebacks or borrowing against its debt-free Massachusetts facility.

OTHER MATTERS

In February 1997, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards No.128, "Earnings Per Share" (FAS 128). FAS 128 supersedes Accounting Principles Board Opinion No.15 and specifies the computation, presentation and disclosure requirements for earnings per share. FAS 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997 and early application is not permitted. Accordingly, the Company will apply FAS 128 for the quarter ended December 28, 1997 and restate prior period information as required under the statement. The Company does not expect the adoption of FAS 128 to have a material impact on reported earnings per share.

In June 1997, the FASB issued Financial Accounting Standards No. 130, "Reporting Comprehensive Income" and No. 131, "Disclosure about Segments of an Enterprise and Related Information", which are effective for fiscal years beginning after December 15, 1997. The Company is currently evaluating the effects of these new standards.

Safe Harbor Statement - Except for the historical information contained herein, this Form 10-Q contains forward-looking statements that are inherently subject to risks and uncertainties. The Company's results could differ materially based on various factors, including without limitation: cancellation or deferral of customer orders, difficulties in the timely development and market acceptance of new products, market developments that vary from the current public expectations concerning the growth of wireless communications (including PCS), difficulties in manufacturing new or existing products in sufficient quantity or quality, increased competitive pressures, decreasing selling prices for the Company's products, or changes in economic conditions. Further information on factors that could affect the Company's financial results is included in the Company's periodic reports filed with the S.E.C., including the most recent Form 10-K and subsequent Form 10-Qs.



PART II - OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

The Company does not have any material pending legal proceedings other than routine litigation incidental to its business.

The Company has been notified by federal and state environmental agencies of its potential liability with respect to the Spectron, Inc. Superfund site in Elkton, Maryland. Several hundred other companies have also been notified about their potential liability regarding this site. The Company continues to deny that it has any responsibility with respect to this site other than as a de minimis

party. Management is of the opinion that the outcome of the aforementioned environmental matter will not have a material effect on the Company's operations or financial position.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

(3) Certificate of Incorporation and By-laws.

(a) Restated Certificate of Incorporation (Filed as Exhibit 3 (a) to Registration Statement on Form S-3 (Registration No. 33-63857))\*.

(b) Amended and restated By-laws of the Corporation dated April 30, 1992 (Filed as Exhibit 3(b) to the Annual Report on Form 10-K for the year ended March 29, 1992)\*.

(4) Instruments defining rights of security holders, including indentures.

(a) Specimen Certificate of Common Stock (Filed as Exhibit 4(a) to Registration Statement on Form S-3 (Registration No. 33-63857))\*.

(b) Frederick County Industrial Development Revenue Bond, Deed of Trust, Loan Agreement and Guaranty and Indemnification Agreement dated June 17, 1982 (Filed as Exhibit 4(g) to the Registration Statement on Form S-8 filed July 29, 1982)\*. Bond and Loan Document Modification Agreement dated December 9, 1993 (Filed as Exhibit 4(c) to the Quarterly Report on Form 10-Q for the quarter ended December 26, 1993)\*.

(c) Amended and restated Shareholder Rights Agreement dated as of December 5, 1996 between Registrant and American Stock Transfer and Trust Company, as Rights Agent as amended and restated June 23, 1997. (Filed as Exhibit 4(c) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\*

(d) Loan and Security Agreement dated December 15, 1993 between Trans-Tech, Inc., and County Commissioners of Frederick County (Filed as Exhibit 4(h) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1994)\*.

(e) Stock Purchase Warrant for 50,000 shares of the Registrant's Common Stock issued to Silicon Valley Bank as of April 1, 1994 (Filed as Exhibit 4(i) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1994)\*.

(f) Credit Agreement dated September 29, 1995 between Alpha Industries, Inc., and Trans-Tech Inc. and Fleet Bank of Massachusetts, N.A. and Silicon Valley Bank. (Filed as Exhibit 4(j) to the Quarterly Report on Form 10-Q for the quarter ended October 1, 1995)\*; and as amended

by Second Amendment dated as of September 30, 1996, and as further amended by Third Amendment dated as of June 12, 1997 and amended and restated promissory notes dated as of June 12, 1997. (Filed as Exhibit 4(f) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\*

(10) Material Contracts.

- (a) Alpha Industries, Inc., 1986 Long-Term Incentive Plan as amended (Filed as Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)\*. (1)
- (b) Alpha Industries, Inc., Employee Stock Purchase Plan as amended October 22, 1992 (Filed as Exhibit 10(b) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993)\* and amended August 22, 1995. (Filed as Exhibit 10(b) to the Annual Report on Form 10-K for the fiscal year ended March 31, 1996)\*. (1)
- (c) SERP Trust Agreement between the Registrant and the First National Bank of Boston as Trustee dated April 8, 1991 (Filed as Exhibit 10(c) to the Annual Report on Form 10-K for the fiscal year ended March 31, 1991)\*. (1)
- (d) Alpha Industries, Inc., Long-Term Compensation Plan dated September 24, 1990 (Filed as Exhibit 10(i) to the Annual Report on Form 10-K for the fiscal year ended March 29, 1992)\*; amended March 28, 1991 (Filed as Exhibit 10 (a) to the Quarterly Report on Form 10-Q for the quarter ended June 27, 1993)\* and as further amended October 27, 1994 (Filed as Exhibit 10(f) to the Annual Report on Form 10-K for the fiscal year ended April 2, 1995)\*. (1)
- (e) Master Equipment Lease Agreement between AT&T Commercial Finance Corporation and the Registrant dated June 19, 1992 (Filed as Exhibit 10(j) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993)\*.
- (f) Severance Agreement dated January 13, 1997 between the Registrant and Thomas C. Leonard. (Filed as Exhibit 10(f) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)\*. (1)
- (g) Severance Agreement dated May 20, 1997 between the Registrant and David J. Aldrich. (Filed as Exhibit 10(g) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)\*. (1)
- (h) Severance Agreement dated January 14, 1997 between the Registrant and Richard Langman. (Filed as Exhibit 10(h) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)\*. (1)
- (i) Employment Agreement dated October 4, 1996 between the Registrant and Martin J. Reid. (Filed as Exhibit 10(i) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)\*. (1)
- (j) Consulting Agreement dated August 13, 1992 between the Registrant and Sidney Topol. (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended April 3, 1994)\*.(1)
- (k) Master Lease Agreement between Comdisco, Inc. and the Registrant dated September 16, 1994 (Filed as Exhibit 10(q) the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)\*.
- (l) Alpha Industries, Inc., 1994 Non-Qualified Stock Option Plan for Non-Employee Directors (Filed as Exhibit 10(r) to the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)\*. (1)
- (m) Alpha Industries Executive Compensation Plan dated January 1, 1995 and Trust for the Alpha Industries Executive Compensation Plan dated January 3, 1995 (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended April 2, 1995)\*.(1)

Alpha Industries, Inc. and Subsidiaries

- (n) Alpha Industries, Inc. Savings and Retirement 401(k) Plan dated July 1, 1996. (Filed as Exhibit 10(n) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\*
- (o) Change in Control Agreement between the Registrant and Paul E. Vincent dated August 23, 1996. (Filed as Exhibit 10(o) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\* (1)
- (p) Change in Control Agreement between the Registrant and James C. Nemiah dated August 23, 1996. (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\* (1)
- (q) Severance Agreement dated April 30, 1996 between the Registrant and Jean Pierre Gillard. (Filed as Exhibit 10(q) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997).\* (1)
- (r) Lease Agreement between MIE Properties, Inc. and Trans-Tech, Inc. (Filed as Exhibit 10(r) to the Quarterly Report on Form 10-Q for the quarter ended September 29, 1996)\*.

(11) Statement re computation of per share earnings\*\*.

(27) Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the fiscal quarter ended June 29, 1997.

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\* Not filed herewith, In accordance with Rule 12b-32 promulgated pursuant to the Securities Exchange Act of 1934, as amended, reference is hereby made to documents previously filed with the Commission, which are incorporated by reference herein.

\*\* Reference is made to Note 3 of the notes to Consolidated Financial Statements on Page 6 of this Quarterly Report on Form 10-Q, which Note 3 is hereby incorporated by reference herein.

(1) Management Contracts.

SIGNATURES

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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.

Date: August 11, 1997

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Alpha Industries, Inc. and Subsidiaries

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Registrant

/s/ Thomas C. Leonard

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Thomas C. Leonard  
Chief Executive Officer  
President

/s/ Paul E. Vincent

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Paul E. Vincent  
Chief Financial Officer  
Principal Financial Officer  
Principal Accounting Officer



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ALPHA INDUSTRIES, INC. AND SUBSIDIARIES AS OF AND FOR THE THREE MONTHS ENDED JUNE 29, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS	
MAR-29-1998	MAR-31-1997
	JUN-29-1997
	4,680
1,341	
18,512	
585	
9,877	
35,119	85,062
56,084	
65,646	
16,400	3,113
0	0
	2,532
	42,203
65,646	25,705
25,705	16,808
24,389	
3	
59	
80	
1,233	
	123
1,110	0
	0
	0
	1,110
	0.11
	0.11