

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

FORM 10-Q

(MARK ONE)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 (No Fee Required)

Commission File No. 0-12718

SUPERTEX, INC.

(Exact name of Registrant as specified in its Charter)

California
(State or other jurisdiction of incorporation or organization)

94-2328535
(IRS Employer Identification #)

1235 Bordeaux Drive
Sunnyvale, California 94089
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: **(408) 744-0100**

Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **Common Stock**

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 No

The total number of shares outstanding of the Registrant's common stock as of August 5, 2002 were 12,597,375.

Total number of pages: 12

SUPERTEX, INC.
QUARTERLY REPORT - FORM 10Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three-months Ended,	
	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Net sales	\$ <u>13,277</u>	\$ <u>15,081</u>
Cost and expenses:		
Cost of sales	8,849	9,191
Research and development	2,318	3,270
Selling, general and administrative	<u>1,835</u>	<u>1,816</u>
Total costs and expenses	<u>13,002</u>	<u>14,277</u>
Income from operations	275	804
Interest income	244	527
Other income	<u>7</u>	<u>376</u>
Income before provision for income taxes	526	1,707
Provision for income taxes	<u>179</u>	<u>580</u>
Net income	<u>\$ 347</u>	<u>\$ 1,127</u>
Net income per share:		
Basic	<u>\$ 0.03</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.09</u>
Shares used in per share computation:		
Basic	<u>12,575</u>	<u>12,410</u>
Diluted	<u>12,935</u>	<u>12,613</u>

See accompanying *Notes to Unaudited Condensed Consolidated Financial Statements*.

SUPERTEX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

	<u>June 30, 2002</u>	<u>March 31, 2002</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,884	\$ 52,492
Trade accounts receivable, net of allowance of \$1,182 and \$1,465	8,725	9,436
Inventories	15,464	16,494
Prepaid expenses and other current assets	488	902
Deferred income taxes	<u>3,293</u>	<u>3,293</u>
Total current assets	82,854	82,617
Property, plant and equipment, net	16,044	16,327
Long term investments	1,451	1,451
Deferred income taxes	<u>2,985</u>	<u>2,985</u>
TOTAL ASSETS	<u>\$ 103,334</u>	<u>\$ 103,380</u>
 LIABILITIES		
Current liabilities:		
Trade accounts payable	\$ 4,395	\$ 5,769
Accrued salaries, wages and employee benefits	5,935	6,565
Other accrued liabilities	519	655
Deferred revenue	1,723	1,729
Income taxes payable	<u>1,793</u>	<u>566</u>
Total current liabilities	<u>14,365</u>	<u>15,284</u>
 SHAREHOLDERS' EQUITY		
Preferred stock, no par value - 10,000 shares authorized, none outstanding	--	--
Common stock, no par value - 30,000 shares authorized; issued and outstanding 12,597 and 12,544 shares at June 30, 2002 and March 31, 2002, respectively	27,980	27,454
Retained earnings	<u>60,989</u>	<u>60,642</u>
Total shareholders' equity	<u>88,969</u>	<u>88,096</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 103,334</u>	<u>\$ 103,380</u>

See accompanying *Notes to Unaudited Condensed Consolidated Financial Statements*.

SUPERTEX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three months Ended	
	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 347	\$ 1,127
Non-cash adjustments to net income:		
Depreciation and amortization	1,290	899
Provision for doubtful accounts and sales returns	827	133
Provision for excess and obsolete inventories	4	168
Gain on sale of long-term investments	--	(127)
Changes in operating assets and liabilities:		
Accounts receivable	(116)	(667)
Inventories	1,026	22
Prepaid expenses and other assets	414	327
Trade accounts payable and accrued expenses	(2,140)	(1,827)
Income taxes payable	1,227	577
Deferred revenue	(6)	641
Total adjustments	2,526	146
Net cash provided by operating activities	2,873	1,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,007)	(185)
Sales (purchases) of long-term investments	--	627
Net cash provided by (used in) investing activities	(1,007)	442
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock options exercised	526	549
Repurchase of stock	--	(316)
Net cash provided by financing activities	526	233
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,392	1,948
CASH AND CASH EQUIVALENTS:		
Beginning of period	52,492	44,282
End of period	\$ 54,884	\$ 46,230

See accompanying *Notes to Unaudited Condensed Consolidated Financial*

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Basis of Presentation

In the opinion of management, the unaudited condensed consolidated financial statements for the quarters ended June 30, 2002 and 2001 include all adjustments (consisting of normal recurring adjustments) necessary for fair presentation of the consolidated financial condition, results of operations, and cash flows for those periods in accordance with accounting principles generally accepted in the United States of America.

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the audited consolidated financial statements of Supertex, Inc. for the fiscal year ended March 31, 2002, which were included in the Annual Report on Form 10-K (File Number 000-12718).

Interim results are not necessarily indicative of results for the full fiscal year. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material to the financial statements.

The financial statements have been prepared on a consolidated basis. The condensed consolidated financial statements include the accounts of Supertex, Inc. and its subsidiary. All significant intercompany balances have been eliminated on consolidation.

Note 2 - Inventories

Inventories consisted of (*in thousands*):

	<u>June 30, 2002</u>	<u>March 31, 2002</u>
Raw materials.....	\$ 1,130	\$ 1,218
Work-in-process.....	11,100	11,849
Finished goods.....	3,234	3,427
	<u>\$ 15,464</u>	<u>\$ 16,494</u>

Note 3 - Net Income per Share

Basic earnings per share (“EPS”) is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. A reconciliation of the numerator and denominator of basic and diluted earnings per share is provided as follows (in thousands, except per share amounts).

	Three-months Ended June 30,	
	<u>2002</u>	<u>2001</u>
BASIC:		
Net income	\$ <u>347</u>	\$ <u>1,127</u>
Weighted average shares outstanding for the period	<u>12,575</u>	<u>12,410</u>
Net income per share	\$ <u>0.03</u>	\$ <u>0.09</u>
DILUTED:		
Net income	\$ <u>347</u>	\$ <u>1,127</u>
Weighted average shares outstanding for the period	12,575	12,410
Dilutive effect of stock options	<u>360</u>	<u>203</u>
Total	<u>12,935</u>	<u>12,613</u>
Net income per share	\$ <u>0.03</u>	\$ <u>0.09</u>

As of June 30, 2002, Options to purchase the Company's common stock of 435,899 shares at an average price of \$29.64 per share were outstanding but were not included in the computation of diluted earnings per share because their effect would have been antidilutive.

Note 4 - Recent Accounting Pronouncements

In June 2001, the FASB issued FASB Statement No. 143 (FAS 143), "Accounting for Asset Retirement Obligations". FAS 143 requires that the fair value of a liability for an asset retirement obligation be realized in the period which it is incurred if a reasonable estimate of fair value can be made. Companies are required to adopt FAS 143 for fiscal years beginning after June 15, 2002, but early adoption is encouraged. The Company has not yet determined the impact this standard will have on its financial position and results of operations, although it does not anticipate that the adoption of this standard will have a material impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The scope of SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002 and early application is encouraged. We will adopt SFAS 146 during the year ending March 31, 2003. The provisions of EITF No. 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF No. 94-3 prior to the adoption of SFAS 146. The effect on adoption of SFAS 146 will change on a prospective basis the timing of when restructuring charges are recorded from a commitment date approach to when the liability is incurred.

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

Cautionary Statement Regarding Forward Looking Statements

This 10-Q includes forward-looking statements. These forward-looking statements are not historical facts, and are based on current expectations, estimates, and projections about our industry, our beliefs, our assumptions, and our goals and objectives. Words such as "anticipates", "expects", "intends",

"plans", "believes", "seeks", and "estimates", and variations of these words and similar expressions, are intended to identify forward-looking statements. Examples of such forward-looking statements in this 10-Q are our plans to continue in the future our current level of R&D investment on new product development as a percent of net sale and our anticipation that our available funds and expected cash generated from operations will be sufficient to meet cash and working capital requirements through at least the next twelve months. These statements are only predictions not a guaranty of future performance, and are subject to risks, uncertainties, and other factors, some of which are beyond our control and are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include that the demand for our products or results of our product development change such that it would be unwise not to decrease research and development as well as those described in "Risk Factors" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" in our Annual Report of Form 10-K for the fiscal year ended March 31, 2002. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Critical Accounting Policies

We described our critical accounting policies in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the year ended March 31, 2002.

Our critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations, and require our management's significant judgments and estimates and such consistent application fairly depicts our financial condition and results of operations for all periods presented.

Critical accounting policies affecting us and the critical estimates we made when applying them have not changed materially since March 31, 2002.

Overview

Supertex designs, develops, manufactures, and markets high voltage semiconductor devices, including analog and mixed signal integrated circuits utilizing state-of-the-art high voltage DMOS, HVCMOS and HVBiCMOS analog and mixed signal technologies. We supply standard and custom high voltage interface products primarily for use in the telecommunications (telecom), imaging, medical electronics, and industrial markets. We also provide wafer foundry services for the manufacture of integrated circuits for customers using customer-owned designs and mask toolings.

Results of Operations

Net Sales

Net sales for the quarter ended June 30, 2002 were \$13,277,000, a 12% decrease compared to \$15,181,000 for the same quarter last year, and a increase of 4% from \$12,809,000 of the prior quarter. Our sales for the first quarter were adversely affected by the continued global economic slowdown and the reduced demand for our products in two of our three major markets: telecom and medical. Demand for our telecom products were adversely affected by the reduced spending of our telecom customers while our medical market suffered some average sales price (ASP) erosion primarily due to consolidations within the medical electronics industry we sell into.

As a percentage of total sales for the quarter ended June 30, 2002, sales to customers in the medical electronics, imaging, and telecommunications markets represented 33%, 33%, and 22% of total sales, respectively, compared to 37%, 29% and 22% of total sales for the quarter ended June 30, 2001. Sales to customers in other markets accounted for 12% of the total sales for both the quarter ended June 30, 2002 and 2001.

Sales to international customers for the quarter ended June 30, 2002 were \$4,032,000, or 30% of the Company's net sales as compared to \$4,148,000, or 28% of the net sales of the same period of last year. In comparing the current quarter with the same period last year, dollar sales to international customers declined only approximately 3% while the total sales declined 12%.

Gross Profit

As a percent of sales, the Company's gross margin was 33% for the three-month period ended June 30, 2002, compared with 39% of the same period of the prior year. Gross margin was adversely affected by a planned inventory reduction of approximately \$1.0 million, which caused a further decline in production capacity utilization. This planned inventory reduction was a result of our improved throughput time.

Research and Development (R&D)

R&D expense decreased 29% to \$2,318,000 for the quarter ended June 30, 2002 as compared to \$3,270,000 for the same quarter of the prior year. The dollar decrease in R&D expense for the quarter ended June 30, 2002 is partly due to many new products being transferred to production status during the quarter and therefore reducing the fab expenses associated with R&D. As a percent of sales, our R&D expense declined from 22% in the first quarter of last year to 17% in the first quarter of this year. However, our R&D expense in the first quarter of last year was abnormally high for us—in both the remainder of last year and during all of fiscal 2001, our quarterly R&D expense averaged approximately \$2.7 million per quarter and as a percentage of sales was 20% and 13%, respectively. Despite lower sales, we maintained our R&D investments during the first quarter of this year at 17% of net sales. We plan to continue this level of R&D investments as a percent of net sales on new product development.

Selling, General and Administrative (SG&A)

SG&A was \$1,835,000 or 14% of net sales for the quarter ended June 30, 2002 as compared with \$1,816,000 or 12% of net sales in the same quarter of the prior year. In absolute dollars, SG&A expense for the quarter decreased by \$19,000, or 1% when compared to the same period of the prior year. Increased spending in advertising of \$123,000 and sales commissions of \$152,000 during the first quarter were offset by the decline in payroll and benefits of \$104,000 resulting from reduced work week and reduced spending on outside services of \$166,000.

Income from Operations

Income from operations was \$275,000, or 2% of net sales for the quarter ended June 30, 2002 compared to \$804,000, or 5% of net sales for the quarter ended June 30, 2001. The decrease in operating income is primarily attributable to lower sales and the further decline in production capacity utilization.

Interest and Other Income

Interest income for the quarter ended June 30, 2002 was \$244,000 compared to \$527,000 for the same quarter of prior year. The decrease in interest income is primarily attributable to lower yields on the money market accounts where we maintain the bulk of our cash deposits. Other Income for the three-month period ended June 30, 2002, was \$7,000 compared with \$376,000 for the same period of last fiscal

year. Other income for the first quarter of last fiscal year included realized gains from sale of long-term investments of \$127,000 and a restocking fee charged for customer returns of approximately \$160,000.

Provision for Income Taxes

The Company's effective tax rate for the three -month period ended June 30, 2002 remained unchanged at 34%.

Liquidity and Capital Resources

On June 30, 2002, the Company had \$54,884,000 in cash and cash equivalents, compared with \$52,492,000 on March 31, 2002. This increase is due primarily to a positive cash flow from operating activities of \$2,873,000 consisting principally of net income of \$347,000 and non-cash charges for depreciation and amortization of \$1,290,000. Factors affecting cash flow from operating activities include (a) a decrease in inventories of \$1,026,000 due to a planned inventory reduction resulting from better throughput time; (b) a decrease in accounts payable and other accrued items of \$2,140,000 due to a decrease in purchasing activities; and (c) an increase of \$1,227,000 in income tax payable.

Net cash used in investing activities during the three-month period was \$1,007,000, primarily for the purchase equipment to upgrade our wafer fabrication facility.

Net cash provided by financing activities for the three-month period was \$526,000 generated by proceeds from the issuance of common stock through the exercise of employee stock options.

We described our total potential commitments in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the year ended March 31, 2002. Our total potential commitments have not changed materially since March 31, 2002.

The Company anticipates that available funds and expected cash to be generated from operations will be sufficient to meet cash and working capital requirements through at least the next twelve months.

Item 3. – Quantitative and Qualitative Disclosures About Market Risk and Interest Rate Risk.

Interest Rate Sensitivity

The Company may be exposed to financial market risks due primarily to changes in interest rates. The Company does not use derivatives to alter the interest characteristics of its investment securities. The Company has no holdings of derivative or commodity instruments. The fair value of the Company's investment portfolio or related income would not be significantly impacted by changes in interest rates since the investment maturities are short and the interest rates are primarily fixed. As of June 30, 2002, the Company maintained its funds primarily in money market funds and it plans to continue to invest a significant portion of its existing cash in interest bearing money market funds and other short-term debt securities with maturities of less than a year.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings

None

Item 2. - Changes in Securities and Use of Proceeds

None

Item 3. - Defaults Upon Senior Securities

None

Item 4. - Submission of Matters to a Vote of Security Holders

None

Item 5. - Other Information

None

Item 6. - Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K

No report on Form 8-K was filed during the quarter for which this Form 10-Q is filed.

Statement of Chief Executive Officer and Chief Financial Officer under 18 U.S.C. § 1350

I, Henry C. Pao, the chief executive officer and chief financial officer of Supertex, Inc., a California corporation (the “Company”), certify pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code,

(i) the Quarterly Report of the Company on Form 10-Q for the period ending June 30, 2002 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), whichever is applicable, of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Henry C. Pao

SIGNATURE

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.

SUPERTEX, INC.

(Registrant)

Date: August 12, 2002

By:

Henry C. Pao, Ph.D.
President
(Principal Executive and Financial Officer)