ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 12/7/2001 For Period Ending 11/3/2001

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Industry	Computer Peripherals
Sector	Technology
Fiscal Year	01/31

UNITED STATES 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 November 3, 2001

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 0-13200

Astro-Med, Inc.

(Exact name of registrant as specified in its charter)

Rhode Island	05-0318215
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

600 East Greenwich Avenue, West Warwick, Rhode Island 02893
(Address of principal executive offices) (Zip Code)

(401) 828-4000

(Registrant's telephone number, including area code)

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.

Common Stock, $.05 Par Value 4,266,558 shares (excluding treasury shares) as of November 30, 2001

ASTRO-MED, INC.

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Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	November,3 2001 (Unaudited)	January 31, 2001
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,631,830	$ 806,069
Securities Available for Sale	3,529,544	5,362,523
Accounts Receivable, Net	9,520,351	10,663,624
Inventories, Net	10,821,872	10,782,425
Prepaid Expenses and Other Current Assets	2,217,102	2,038,227
Total Current Assets	27,720,699	29,652,868
PROPERTY, PLANT AND EQUIPMENT	23,416,542	22,547,305
Less Accumulated Depreciation	(15,260,249)	(14,259,992)
	8,156,293	8,287,313
OTHER ASSETS		
Goodwill	2,353,540	2,465,494
Amounts Due from Officers	480,314	480,314
Other	69,438	172,941
	2,903,292	3,118,749
	$ 38,780,284	$ 41,058,930

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 3,553,974	$ 3,711,248
Accrued Compensation	1,199,956	1,974,223
Accrued Expenses	1,418,349	1,916,597
Income Taxes Payable	-	96,058
Current Maturities of Long-Term Debt	36,912	46,832
Total Current Liabilities	6,209,191	7,744,958
LONG-TERM DEBT, Less Current Maturities	-	24,755
DEFERRED INCOME TAXES	932,921	996,157
SHAREHOLDERS' EQUITY		
Preferred Stock, $10 Par Value, Authorized 100,000 Shares, None Issued	-	-
Common Stock, $.05 Par Value, Authorized 13,000,000 Shares, Issued, 5,164,080 5,160,780 Shares, respectively	258,204	258,039
Additional Paid-In Capital	5,633,496	5,706,870
Retained Earnings	31,883,326	32,667,859
Treasury Stock, at Cost (897,895 and 930,895 Shares, respectively)	(5,860,610)	(6,076,003)
Accumulated Other Comprehensive Loss	(276,244)	(263,705)
	31,638,172	32,293,060
	$ 38,780,284	$ 41,058,930

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three-Months Ended November 3, 2001	Three-Months Ended October 28, 2000
Net Sales	$12,398,711	$11,880,940
Cost of Sales	7,957,468	7,648,059
Gross Profit	4,441,243	4,232,881
Costs and Expenses:		
Selling, General and Administrative	3,869,002	4,148,908
Research and Development	997,231	978,439
	4,866,233	5,127,347
Operating Loss	(424,990)	(894,466)
Other Income (Expense):		
Investment Income	58,715	111,698
Interest Expense	(531)	(3,841)
Other, Net	79,632	(143,364)
	137,816	(35,507)
Loss before Income Taxes	(287,174)	(929,973)
Provision for Income Tax Benefit	(57,435)	(232,000)
Net Loss	$ (229,739)	$ (697,973)
Loss Per Common Share-basic and diluted	$ (0.05)	$ (0.16)
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic and diluted	4,265,520	4,428,825
Dividends Declared Per Common Share	$ 0.04	$ 0.04

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine-Months Ended November 3, 2001	Nine-Months Ended October 28, 2000
Net Sales	$36,966,427	$37,795,116
Cost of Sales	22,707,117	22,989,726
Gross Profit	14,259,310	14,805,390
Costs and Expenses:		
Selling, General and Administrative	12,152,267	12,054,515
Research and Development	2,834,685	3,214,073
	14,986,952	15,268,588
Operating Loss	(727,642)	(463,198)
Other Income (Expense):		
Investment Income	223,701	342,178
Interest Expense	(3,291)	(6,038)
Other, Net	164,569	(234,264)
	384,979	101,876
Loss before Income Taxes	(342,663)	(361,322)
Provision for Income Tax Benefit	(68,531)	(88,954)
Net Loss	$ (274,132)	$ (272,368)
Loss Per Common Share-basic and diluted	$ (0.06)	$ (0.06)
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic and diluted	4,257,046	4,424,321
Dividends Declared Per Common Share	$ 0.12	$ 0.12

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-Months Ended November 3, 2001	Nine-Months Ended October 28, 2000
Cash Flows from Operating Activities:		
Net Loss	$ (274,132)	$ (272,368)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,112,211	1,063,305
Gain on Sale of Assets	(25,000)	-
Other	(149,465)	69,661
Changes in Assets and Liabilities:		
Accounts Receivable	1,143,273	(97,214)
Inventories	(192,721)	299,210
Other	16,951	37,156
Accounts Payable and Accrued Expenses	(1,299,996)	(1,867,588)
Income Taxes	(187,863)	(841,544)
Total Adjustments	417,390	(1,337,014)
Net Cash Provided (Used) by Operating Activities	143,258	(1,609,382)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	1,917,987	3,109,928
Purchases of Securities Available for Sale	-	(2,084,572)
Proceeds from Sales of Assets	25,000	-
Refund of Purchase Price for Acquisition	-	225,000
Additions to Property, Plant and Equipment	(727,283)	(705,731)
Net Cash Provided by Investing Activities	1,215,704	544,625
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(34,675)	(48,712)
Proceeds from Common Shares Issued Under Employee Benefit Plans	11,875	51,492
Dividends Paid	(510,401)	(531,356)
Net Cash Used by Financing Activities	(533,201)	(528,576)
Net Increase (Decrease) in Cash and Cash Equivalents	825,761	(1,593,333)
Cash and Cash Equivalents, Beginning of Period	806,069	4,035,867
Cash and Cash Equivalents, End of Period	$ 1,631,830	$ 2,442,534
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 3,291	$ 3,246
Income Taxes	$ 128,196	$ 752,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 3, 2001

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The accompanying financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with footnotes contained in the Company's annual report on Form 10-K for the year ended January 31, 2001.

(b) Net income (loss) per common share has been computed and presented pursuant to the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share. Net income (loss) per share is based on the weighted average number of shares outstanding during the period. Net income (loss) per share assuming dilution is based on the weighted average number of shares and, if dilutive, common equivalent shares for stock options outstanding during the period.

	Three-Months Ended		Nine-Months Ended	
	November 3, 2001	October 28, 2000	November 3, 2001	October 28, 2000
Weighted Average Common Shares Outstanding-basic	4,265,520	4,428,825	4,257,046	4,424,321
Diluted Effect of Options Outstanding.....	-	-	-	-
Weighted Average Common Shares Outstanding - diluted...................	4,265,520	4,428,825	4,257,406	4,424,321

For the three-month's ended November 3, 2001 and October 28, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 1,686,950 and 1,125,825, respectively because their effect is anti-dilutive.

For the nine-month's ended November 3, 2001 and October 28, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 1,686,950 and 943,875, respectively because their effect is anti-dilutive.

(c) Derivative Instruments and Hedging: On February 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133, and as amended in June 2000 by SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment to SFAS No. 133 (combined SFAS No. 133). The statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The adoption of this statement did not have a material impact on the Company's results of operations or financial position.

(d) Revenue Recognition: Revenue is recognized when products or services are performed and the risk and rewards of ownership have been transferred.

(e) In July 2000, the Emerging Issues Task Force, a body of the Financial Accounting Standards Board, reached a consensus on Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs. The consensus requires companies to start reporting amounts billed to customers in a sales transaction related to shipping and handling as revenue in the fourth quarter of fiscal year 2001. The Company previously reported these amounts as a reduction of cost of goods sold. All previous periods presented have been reclassified to conform to the current practice. The amount reclassed for three-months and nine-months ending October 28, 2000 were approximately $150,000 and $470,000, respectively.

(f) In July 2001, the Financial Accounting Standards Board (FASB) released for issuance SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under SFAS No. 142, amortization of goodwill to earnings will cease and instead, the carrying value of goodwill will be evaluated for impairment on at least an annual basis. The Company will adopt SFAS No. 141 and SFAS No. 142 effective January 31, 2002. The Company is evaluating the impact of adoption of these standards and has not yet determined the effect of adoption on its financial statements.

In August 2001, the FASB issued SFAS No: 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The Company believes the adoption of this Statement will not have a material impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the accounting and reporting provisions of APB No. 30. SFAS No. 144 addresses the financial and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15,2001, and interim periods within those fiscal years. The Company is currently reviewing this statement to determine its effect on the Company's financial statements.

Note 2 - COMPREHENSIVE INCOME

The Company's total comprehensive income is as follows;

	Three-Months Ended		Nine-Months Ended	
	November 3, 2001	October 28, 2000	November 3, 2001	October 28, 2000
Comprehensive Income:				
Net Income (Loss).......................	$(229,739)	$(697,973)	$(274,132)	$(272,368)
Other Comprehensive Loss:				
Foreign currency translation adjustments, net of tax.........	9,551	(95,480)	(84,032)	(168,572)
Unrealized gain (loss) in securities:				
Unrealized holding gain (loss) arising during the period, net of tax.....................	66,191	65,220	71,493	111,768
Reclassification adjustment for gain (loss) included in net income, net of tax........	-	-	-	-
Other Comprehensive Income (Loss).......	75,742	(30,260)	(12,539)	(56,804)
Comprehensive Income (Loss)	$(153,997)	$(728,233)	$(286,671)	$(329,172)

Note 3 - INVENTORIES

Inventories, net of reserves are stated at the lower of cost (first-in, first-out) or market and include material, labor and manufacturing overhead. The components of inventories were as follows:

	November 3, 2001	January 31, 2001
Materials and Supplies...	$ 5,880,212	$ 5,921,934
Work-In-Process..........	1,243,526	1,282,466
Finished Goods...........	3,698,134	3,578,025
	$10,821,872	$ 10,782,425

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

Results of Operations:

For the Three-Months Ending November 3, 2001 vs. October 28, 2000

Sales in the third quarter were $12,399,000, an increase of 4% from the prior year's third quarter sales of $11,881,000. Domestic sales were $9,104,000, down from $9,230,000 for the third quarter of the prior fiscal year. Sales through the Company's international channels were $3,295,000, 24% higher than the previous year's third quarter sales of $2,651,000.

Sales were mixed in each of the Company's product groups. QuickLabel Systems (QLS) product sales were a record $5,506,000, 21% higher than the $4,544,000 from the previous year. QLS sales were 9% and 55% higher in the domestic and international channels, respectively. This increase in sales can be attributed to the demand for the Company's printer system products expanding in both channels. Test & Measurement (T&M) sales in the quarter were $3,487,000, down 4% from $3,622,000 reported in the previous year. Domestically, T&M sales improved over last year by 4%, as T&M's new products (e.g. the Everest and Dash 18) have started to gain acceptance in the marketplace. However, the decline in the quarter is attributed to T&M's international sales decreasing 31% from the same period last year. Grass-Telefactor's sales were $3,406,000, an 8% decrease from the $3,715,000 of sales reported in the third quarter of the previous year. Sales in the international channels were up 38%, while domestic sales were 17% lower than the previous year. The decrease in domestic sales is attributed to customers delaying their acquisition of new monitoring systems due the current economic uncertainty.

Gross profit dollars were $4,441,000 in the quarter. The gross profit margin realized in the quarter was 35.8%, an increase from last year's margin of 35.6%. The margin improvement can be attributed to the benefits of the workforce reductions completed in the last fiscal year. However, this improvement was partially offset by the lower margins caused by the change in sales mix and lower yields on the T&M and QLS products this quarter.

Operating Expenses in the quarter were $4,866,000. Selling, general and administrative spending declined 7% from last year to $3,869,000 due to the benefits of the workforce reductions and reduced spending in this quarter as compared to last year.

Research and development funding increased 2% from the prior year to $997,000. In the quarter, R & D spending was 8.0% of sales down from last year's rate of 8.2%.

Other Income (Expense) for the quarter improved to $138,000 of income from last year's $36,000 of expense. Investment income decreased $53,000 as a result of a lower investment base and lower yields on investments. The favorable $223,000 change in Other, Net is attributed primarily to a $25,000 gain on the sale of equipment and a $171,000 improvement in foreign exchange gains and losses. In the prior year, the net foreign exchange loss for the quarter was $136,000 as opposed to the current quarter's net foreign exchange gain of $35,000.

Net loss in the current quarter was $230,000, equal to $0.05 loss per share. This compares to net loss of $698,000, equal to $0.16 net loss per share in the prior year's quarter.

Results of Operations (continued):

For the Nine-Months Ending November 3, 2001 vs. October 28, 2000

Sales for the nine-month were $36,966,000, down 2% from the prior year's sales of $37,795,000. Domestic sales were $26,940,000, down 3% from $27,788,000 for the nine-months in the prior fiscal year. Sales through the Company's international channels were $10,028,000, which is essentially flat with the previous year's sales of $10,007,000.

Sales were mixed in each of the Company's product groups. QuickLabel Systems (QLS) product sales were $15,161,000, 3% higher than the $14,758,000 from the previous year. QLS sales were 20% higher in the international channels, while domestic sales were 4% lower than last year. Test & Measurement (T&M) sales were $9,475,000, down 5% from $9,950,000 reported in the previous year. Domestically, T&M sales improved over last year by 3%, as T&M's new products (e.g. the Everest and Dash 18) have started to gain acceptance in the marketplace. However, the decline in T&M's sales in the quarter is attributed to international sales decreasing 31% from the same period last year. Grass-Telefactor's sales were $12,330,000, a 6% decrease from the $13,087,000 of sales reported in the previous year. Grass-Telefactor's domestic and international sales were lower than the previous year by 6% and 4%, respectively. The decline in Grass-Telefactor's sales is attributed to customers delaying their acquisition of new monitoring systems due the current economic uncertainty and delays in the introduction of new software applications.

Gross profit dollars were $14,259,000, a 4% decrease over last year. The gross profit margin realized this fiscal year was 38.6%, a decrease from last year's margin of 39.2%. The margin decline is attributed to a change in the sales mix and lower yields on T&M and QLS products.

Operating Expenses year-to-date were $14,987,000 down 2% from the prior year's $15,269,000. Selling, general and administrative spending rose less than 1% from last year to $12,152,000.

Research and development funding decreased 12% from the prior year to $2,835,000. Thus far this year, R & D spending was 7.7% of sales down from last year's rate of 8.5%.

Operating loss this year was $728,000 as compared to an operating loss of $463,000 in the prior year. The result being a combination of lower sales volume, sales mix and lower gross profit margins.

Other Income increased to $385,000 from last year's $102,000. Investment Income decreased $118,000 as a result of a lower investment base and lower yields. The change in Other, Net is attributed primarily to the following:
a $125,000 gain relating to the settlement of litigation on a contract dispute, a $25,000 gain on the sale of equipment and a $263,000 improvement in foreign exchange gains and losses. In the prior year, the net foreign exchange loss was $243,000 as opposed to the current year's net foreign exchange gain of $20,000.

Net loss this year was $274,000, equal to $0.06 loss per share. This compares to a net loss of $272,000, equal to $0.06 loss per share, in the prior year.

Financial Condition:

The Company's Statements of Cash Flows for the nine-months ending November 3, 2001 and October 28, 2000 are included on page 6. Net cash flow provided by operating activities for this period was $143,000 versus cash flow used by operating activities of $1,609,000 in the previous year.

Cash and securities available for sale at November 3, 2001 totaled $5,161,000, which was lower than the year-end balance of $6,169,000. The decrease in cash and securities is attributed to the cash used to fund operating losses, fixed asset additions and dividends exceeding the cash generated by operations.

The collection cycle improved by 8 days decreasing to 58 days sales outstanding at the end of the third quarter as compared to the 66 days sales outstanding at year-end.

Inventory at the end of the third quarter equaled $10,822,000 which was slightly higher than the year-end level of $10,782,000. Inventory turns at the end of the third quarter and year-end were 2.5 turns.

Capital expenditures during the nine-months ended November 3, 2001 were $727,000, up 3% from the prior year amount of $706,000. The increase is primarily attributed to the purchase of machinery and equipment that will improve our manufacturing process.

During this fiscal year, the Company entered into a new $2.0 million line of credit agreement, all of which is currently available. Any borrowings on this line of credit bear interest at LIBOR plus 11/2%. With the addition of this line of credit the Company currently has $3.5 million of available and unused borrowings.

In the third quarter, the Company entered into a foreign exchange zero cost collar agreement to minimize the risk associated with changes in the foreign exchange rates on certain foreign denominated receivables. This agreement is a combination of buying a put and selling a call or vice versa and effectively provides the Company a hedge on certain foreign denominated receivables between an upper and a lower exchange rate limit. The notional amount of the agreement is $225,000. The agreement expired on November 2, 2001. The spot rate on the date the contract expired was within the collar limits and neither party exercised its option.

Safe Harbor Statement

This document contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Factors which could cause actual results to differ materially from those anticipated include, but are not limited to, general economic, financial and business conditions; declining demand in the test and measurement markets, especially defense and aerospace; competition in the specialty printer industry; ability to develop market acceptance of the QLS color printer products and effective design of customer required features; competition in the data acquisition industry; competition in the neurophysiology industry; the impact of changes in foreign currency exchange rates on the results of operations; the ability to introduce new software applications for all products; the ability to successfully integrate acquisitions; the business abilities and judgment of personnel and changes in business strategy.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

No reports on Form 8-K have been filed during the quarter for which this report is filed.

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.

ASTRO-MED, INC.
(Registrant)

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Date: December 7, 2001           By /s/ A. W. Ondis
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                                        A. W. Ondis, Chairman
                                        (Principal Executive Officer)


Date: December 7, 2001           By /s/ Joseph P. O'Connell
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                                        Joseph P. O'Connell, Vice
                                        President and Treasurer
                                        (Principal Financial Officer)
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