

# ASTRO MED INC /NEW/

## FORM 10-Q (Quarterly Report)

Filed 12/6/1996 For Period Ending 11/2/1996

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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)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

For the quarterly period ended November 2, 1996

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**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  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 - 4,966,183 shares (excluding treasury shares) as of October 25, 1996

# ASTRO-MED, INC.

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**Part I. FINANCIAL INFORMATION**

**ASTRO-MED, INC.  
CONSOLIDATED BALANCE SHEETS**

ASSETS	January 31, 1996	November 2, 1996
	-----	-----
		(Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents.....	\$ 2,033,713	\$ 6,138,942
Securities Available for Sale.....	6,659,828	6,942,497
Accounts Receivable, Net.....	8,318,005	8,331,116
Inventories.....	12,533,553	11,628,889
Prepaid Expenses and Other Current Assets..	1,424,757	1,402,390
	-----	-----
Total Current Assets.....	30,969,856	34,443,834
PROPERTY, PLANT AND EQUIPMENT		
	17,063,855	17,196,310
Less Accumulated Depreciation.....	(8,350,722)	(9,189,923)
	-----	-----
	8,713,133	8,006,387
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired....	1,012,693	985,459
Other.....	1,607,049	532,838
	-----	-----
	2,619,742	1,518,297
	-----	-----
	\$42,302,731	\$43,968,518
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable.....	\$ 2,136,825	\$ 2,528,646
Accrued Compensation.....	1,200,082	880,003
Accrued Expenses.....	730,345	1,194,395
Income Taxes.....	432,540	1,072,153
Current Maturities of Long-Term Debt.....	50,000	50,000
	-----	-----
Total Current Liabilities.....	4,549,792	5,725,197
LONG-TERM DEBT, Less Current Maturities.....	175,000	125,000
EXCESS OF NET ASSETS ACQUIRED OVER COST.....	761,879	598,619
DEFERRED INCOME TAXES.....	834,754	834,754
STOCKHOLDERS' EQUITY		
Preferred Stock, \$10 Par Value, Authorized 100,000 Shares, None Issued....		
Common Stock, \$.05 Par Value, Authorized 13,000,000 Shares, Issued 5,123,310 and 5,135,578 Shares, Respectively.....	256,166	256,779
Additional Paid-In Capital.....	5,554,100	5,615,571
Retained Earnings.....	31,079,623	32,385,272
Treasury Stock, at Cost (103,066 Shares and 169,395 Shares, Respectively).....	(902,169)	(1,468,111)
Cumulative Translation Adjustment.....	(38,368)	(82,176)
Net Unrealized Gain (Loss) on Securities Available for Sale.....	31,954	(22,387)
	-----	-----
	35,981,306	36,684,948
	-----	-----
	\$42,302,731	\$43,968,518
	=====	=====

**ASTRO-MED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended	
	October 28, 1995	November 2, 1996
Net Sales.....	\$10,823,820	\$11,110,514
Cost of Sales.....	6,587,639	6,572,197
Gross Profit.....	4,236,181	4,538,317
Costs and Expenses:		
Selling, General and Administrative.....	3,246,100	3,017,702
Research and Development.....	591,821	643,092
	3,837,921	3,660,794
Operating Income.....	398,260	877,523
Other Income (Expense):		
Investment Income.....	84,287	157,489
Interest Expense.....	(429)	(3,349)
Other, Net.....	(2,747)	41,665
	81,111	195,805
Income before Income Taxes.....	479,371	1,073,328
Provision for Income Taxes.....	199,000	389,620
Net Income.....	\$ 280,371	\$ 683,708
	=====	=====
Earnings Per Common Share.....	\$.06	\$.14
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,097,232	5,014,191
	=====	=====
Dividends Declared Per Common Share.....	\$.03	\$.03
	=====	=====

**ASTRO-MED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

**Nine Months Ended**

	October 28, 1995	November 2, 1996
	-----	-----
Net Sales.....	\$32,566,709	\$32,779,109
Cost of Sales.....	19,473,919	19,879,552
	-----	-----
Gross Profit.....	13,092,790	12,899,557
Costs and Expenses:		
Selling, General and Administrative.....	10,126,673	9,500,079
Research and Development.....	1,811,923	1,846,599
	-----	-----
	11,938,596	11,346,678
	-----	-----
Operating Income.....	1,154,194	1,552,879
Other Income (Expense):		
Investment Income.....	259,455	828,197
Interest Expense.....	(17,705)	(15,366)
Other, Net.....	234,363	81,200
	-----	-----
	476,113	894,031
	-----	-----
Income before Income Taxes.....	1,630,307	2,446,910
Provision for Income Taxes.....	482,000	733,620
	-----	-----
Net Income .....	\$ 1,148,307	\$ 1,713,290
	=====	=====
Earnings Per Common Share.....	\$ .23	\$ .34
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,099,676	5,025,371
	=====	=====
Dividends Declared Per Common Share.....	\$ .09	\$ .09
	=====	=====

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

	Nine Months Ended	
	October 28, 1995	November 2, 1996
Cash Flows from Operating Activities:		
Net Income.....	\$1,148,307	\$ 1,713,290
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	961,223	703,175
Gain on Sale of Investment.....		(416,090)
Deferred Income Taxes.....	108,965	
Other.....	(41,773)	
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable.....	84,900	60,389
(Increase) decrease in Inventories.....	(1,104,524)	904,664
[Decrease(increase)in] Other.....	613,345	(95,881)
(Decrease) increase in Accounts Payable and Accrued Expenses.....	(559,567)	535,791
(Decrease) increase in Accrued Income Taxes.....	(91,333)	639,613
Total Adjustments.....	(28,764)	2,331,661
Net Cash Provided by Operating Activities.....	1,119,543	4,044,951
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities		
Available for Sale.....	2,696,728	1,487,684
Purchases of Securities Available for Sale.....	(2,190,401)	(282,669)
Proceeds from Sale of Building.....		515,935
Additions to Property, Plant and Equipment.....	(829,192)	(649,455)
Net Cash (used) Provided by Investing Activities.....	(322,865)	1,071,495
Cash Flows from Financing Activities:		
Payments of Long-Term Debt.....	(350,000)	(50,000)
Short-Term Borrowing from Bank.....	500,000	
Proceeds from Common Shares Issued Under Employee Benefit Plans.....	84,102	62,084
Purchases of Treasury Stock.....	(176,254)	(565,942)
Dividends Paid.....	(452,992)	(457,359)
Net Cash (Used) by Financing Activities.....	(395,144)	(1,011,217)
Net Increase/(Decrease) in Cash and Cash Equivalents.....	401,534	4,105,229
Cash and Cash Equivalents, Beginning of Period...	1,107,191	2,033,713
Cash and Cash Equivalents, End of Period.....	\$1,508,725	\$ 6,138,942
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest.....	\$ 21,942	\$ 24,477
Income Taxes.....	\$ 260,869	\$ 69,855

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 2, 1996

**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. All accounting policies have been applied in a manner consistent with prior periods. 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, 1996.

(b) Earnings per common share are computed based on the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents include the dilutive effect of certain stock options under the treasury stock method. Fully diluted earnings per share have not been separately presented since they would not be materially different.

**Note 2 - INVENTORIES**

Inventories 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:

	January 31, 1996	November 2, 1996
Materials and Supplies..	\$ 6,460,730	\$ 6,289,658
Work-In-Process.....	1,381,220	1,234,000
Finished Goods.....	4,691,603	4,105,231
	-----	-----
	\$12,533,553	\$11,628,889
	=====	=====



## ASTRO-MED, INC.

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

#### **Results of Operations:**

Net Sales in the Company's third fiscal quarter increased 3% over the prior year fiscal third quarter. Growth was most evident in our domestic channels where Sales increased 7% over last year. Internationally, volume was comparable to last year although our Asian, UK and Italian sales revenues experienced growth. The Company continues to expand new product offerings during the third quarter with the Printing Systems including Sundance, Data Acquisition Systems and Astro-DAQ. Demand was healthy for both the Company's traditional core recorder products as well as the Grass Instrument line of products.

The third quarter sales mix generated \$4,538,000 in Gross Profits for the three month period. This result was 7% higher than last year's third quarter and produced a yield of 40.8% as compared with the prior year's mark of 39.1%. The Company has improved its Gross Profit Percent during each quarter of the current fiscal year to a nine month Gross Profit Percent of 39.4%. Although this level is behind last year's 40.2%, the Company expects the improvement trend to continue.

Astro-Med's quarterly operating expenses of \$3,660,000 were 5% lower than last year. This result is consistent with this year's pace in spending which is also 5% behind last year's level for nine months, as the Company has reduced its selling expenses and administrative personnel from prior year levels.

Other Income was \$196,000 in the quarter against last year's results of \$81,000 for the same quarter. This year's improvement is a result of additional interest earned on the Company's expanded investment portfolio. After nine months the Company has other income of \$894,000 in comparison to last year's \$476,000. The improvement is attributable to gains on sale of investments and interest income.

Net Income in the quarter was \$684,000 generating a 6.2% return on sales. This quarter's income was better than last year's 3rd quarter by \$404,000 or 144%. The Company has earned \$1,713,000 in Net Income after nine months of the current fiscal year against a prior year result of \$1,148,000 for the same time frame.

#### **Financial Condition:**

The Company increased its cash position by \$937,000 in the 3rd quarter. Normal operations generated \$1,563,000 in cash available while Investing requirements of \$359,000 including capital expenditures and Financing activities of \$267,000 including (dividends and treasury stock) purchases consumed cash. The Net Working Capital balances rose \$513,000 in the three months to \$28,718,000 at quarter's end. The growth in the accounts receivable investment was the primary factor.

The Company's cash and cash equivalent balances have risen by \$4,105,000 during the current fiscal year. The result is traceable to Operations which have produced \$4,033,000 in operating cash flow while the Company's Investing and Financing activities have offset their respective cash flows.

**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)

*Date: December 2, 1996*

*By /s/ A. W. Ondis*

-----  
*A. W. Ondis, Chairman  
(Principal Executive Officer)*

*Date: December 2, 1996*

*By /s/ Joseph P. O'Connell*

-----  
*Joseph P. O'Connell, Vice  
President and Treasurer  
(Principal Financial Officer)*

## **SAFE HARBOR STATEMENT**

Statements which are not historical facts including statements about our expectations on new and existing products and opportunities, market growth, demand and acceptance of new and existing products are forward looking statements that involve risks and uncertainties. Those uncertainties include but are not limited to product demand and market acceptance risks; the impact of competitive products and pricing; delays or difficulties in developing, producing, testing and selling new products and technologies; capacity and supply constraints or difficulties; trade, legal, social and economic risks such as licensing, and trade restrictions, including those affecting international trade; and other risk factors listed from time to time in the Company's SEC reports including but not limited to the report on Form 10-Q for the quarter ended November 2, 1996.

## ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1997
PERIOD START	AUG 04 1996
PERIOD END	NOV 02 1996
CASH	6,138,942
SECURITIES	6,942,497
RECEIVABLES	8,257,616
ALLOWANCES	0
INVENTORY	11,628,889
CURRENT ASSETS	34,443,834
PP&E	17,196,310
DEPRECIATION	9,189,923
TOTAL ASSETS	43,968,518
CURRENT LIABILITIES	5,725,197
BONDS	125,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	256,779
OTHER SE	36,428,169
TOTAL LIABILITY AND EQUITY	43,968,518
SALES	11,110,514
TOTAL REVENUES	11,110,514
CGS	6,572,197
TOTAL COSTS	6,572,197
OTHER EXPENSES	3,660,794
LOSS PROVISION	0
INTEREST EXPENSE	3,349
INCOME PRETAX	1,073,328
INCOME TAX	389,620
INCOME CONTINUING	683,708
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	683,708
EPS PRIMARY	.14
EPS DILUTED	.14

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**End of Filing**

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