ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 12/9/1998 For Period Ending 10/31/1998

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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 October 31, 1998

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 - 4,513,703 shares (excluding treasury shares) as of December 4, 1998

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Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 1998	October 31, 1998
		(Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,659,552	$ 4,461,316
Securities Available for Sale	7,472,693	7,825,216
Accounts Receivable, Net	7,828,064	7,739,399
Inventories	10,341,856	10,474,718
Prepaid Expenses and Other Current Assets	1,561,313	1,327,170
Total Current Assets	32,863,478	31,827,819
PROPERTY, PLANT AND EQUIPMENT	18,056,693	18,606,623
Less Accumulated Depreciation	(10,155,952)	(11,151,887)
	7,900,741	7,454,736
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired	940,084	912,859
Amounts Due from Officers	453,264	453,624
Other	656,147	645,221
	2,049,495	2,011,704
	$42,813,714	$41,294,259
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 2,267,722	$ 2,850,170
Accrued Compensation	1,221,662	1,560,704
Accrued Expenses	1,470,849	1,220,057
Income Taxes	614,631	534,304
Current Maturities of Long-Term Debt	177,774	177,774
Total Current Liabilities	5,752,638	6,343,009
LONG-TERM DEBT, Less Current Maturities	227,998	82,916
EXCESS OF NET ASSETS ACQUIRED OVER COST	326,519	163,259
DEFERRED INCOME TAXES	747,560	747,560
SHAREHOLDERS' EQUITY		
Preferred Stock, $10 Par Value, Authorized 100,000 Shares, None Issued		
Common Stock, $.05 Par Value, Authorized 13,000,000 Shares, Issued 5,140,448 and 5,142,778 Shares, Respectively	257,023	257,139
Additional Paid-In Capital	5,649,101	5,663,820
Retained Earnings	33,085,917	32,835,122
Treasury Stock, at Cost (355,895 Shares and 629,295 Shares, Respectively)	(3,062,945)	(4,748,875)
Accumulated Other Comprehensive Income (Loss)	(170,097)	(49,691)
	35,758,999	33,957,515
	$42,813,714	$41,294,259

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	November 1, 1997	October 31, 1998
Net Sales	$11,344,294	$10,515,347
Cost of Sales	6,857,626	6,221,371
Gross Profit	4,486,668	4,293,976
Costs and Expenses:		
Selling, General and Administrative	3,383,091	3,519,928
Research and Development	668,924	745,420
	4,052,015	4,265,348
Operating Income	434,653	28,628
Other Income (Expense):		
Investment Income	211,241	217,346
Interest Expense	(7,546)	(5,284)
Other, Net	84,040	69,555
	287,735	281,617
Income before Income Taxes	722,388	310,245
Provision for Income Taxes	223,945	81,000
Net Income	$ 498,443	$ 229,245
Earnings Per Common Share-basic	$.10	$.05
Earnings Per Common Share-diluted	$.10	$.05
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,850,339	4,571,792
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,896,071	4,589,759
Divividends declared Per Common Share	$.04	$.04

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended	
	November 1, 1997	October 31, 1998
Net Sales	$33,727,329	$31,099,898
Cost of Sales	20,735,370	18,661,134
Gross Profit	12,991,959	12,438,764
Costs and Expenses:		
Selling, General and Administrative	9,772,735	10,531,143
Research and Development	2,075,620	2,237,716
	11,848,355	12,768,859
Operating Income (Loss)	1,143,604	(330,095)
Other Income (Expense):		
Investment Income	606,159	636,103
Interest Expense	(20,840)	(17,493)
Other, Net	(4,440)	135,273
	580,879	753,883
Income before Income Taxes	1,724,483	423,788
Provision for Income Taxes	510,000	110,000
Net Income	$1,214,483	$ 313,788
Earnings Per Common Share-basic	$.25	$.07
Earnings Per Common Share-diluted	$.25	$.07
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,868,570	4,697,649
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,919,601	4,728,848
Dividends Declared Per Common Share	$.12	$.12

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

	Nine Months Ended	
	November 1, 1997	October 31, 1998
Cash Flows from Operating Activities:		
Net Income	$1,214,483	$ 313,788
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	935,373	859,900
Other	(13,940)	70,121
Changes in Assets and Liabilities:		
Accounts Receivable	105,397	88,665
Inventories	161,850	(132,862)
Other	(284,263)	234,143
Accounts Payable and Accrued Expenses	893,529	670,698
Income Taxes	(458,915)	(80 327)
Total Adjustments	1,339,031	1,710,338
Net Cash Provided by Operating Activities	2,553,514	2,024,126
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	2,335,200	8,067,245
Purchases of Securities Available for Sale	(2,571,075)	(8,358,275)
Additions to Property, Plant and Equipment	(710,696)	(549,930)
Net Cash Used by Investing Activities	(946,571)	(840,960)
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(119,339)	(145,082)
Proceeds from Common Shares Issued Under Employee Benefit Plans	18,267	14,835
Purchases of Treasury Stock	(1,046,709)	(1,685,930)
Dividends Paid	(535,069)	(565,225)
Net Cash Used by Financing Activities	(1,682,850)	(2,381,402)
Net Decrease in Cash and Cash Equivalents	(75,907)	(1,198,236)
Cash and Cash Equivalents, Beginning of Period	6,561,184	5,659,552
Cash and Cash Equivalents, End of Period	$ 6,485,277	$ 4,461,316
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 25,061	$ 20,306
Income Taxes	$ 751,437	$ 195,917
Other Non-Cash Transactions:		
Acquisition of Leased Equipment	$ 200,000	$ 0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1998

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, 1998.

(b) Earnings per common share have been computed and presented pursuant to the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which was adopted in fiscal 1998. Net income per share is based on the weighted average number of shares outstanding during the period. Net income per share assuming dilution is based on the weighted average number of shares and common equivalent shares for stock options outstanding during the period.

	Three Months Ended		Nine Months Ended	
	November 1, 1997	October 31, 1998	November 1, 1997	October 31, 1998
Weighted Average Common Shares Outstanding-basic	4,850,339	4,571,792	4,868,570	4,697,649
Diluted Effect of Options Outstanding	45,732	17,967	51,031	31,199
Weighted Average Common Shares Outstanding-diluted	4,896,071	4,589,759	4,919,601	4,728,848

Note 2 - CHANGE IN ACCOUNTING PRINCIPLES

Effective February 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". This statement requires presentation of the components of comprehensive income, including the changes in equity from non-owner sources such as unrealized gains (losses) on securities and foreign currency translation adjustments. The Company's total comprehensive income is as follows.

	Three Months Ended		Nine Months Ended	
	November 1, 1997	October 31, 1998	November 1, 1997	October 31 1998
Comprehensive Income:				
Net Income	$498,443	$229,245	$1,214,483	$313,788
Other Comprehensive Income(Loss):				
Foreign currency translation adjustments	67,141	38,565	(25,912)	58,349
Unrealized gain(loss) on securities:				
Unrealized holding gain (loss) arising during the period	12,066	77,956	11,972	65,352
Less: reclassification adjustment for gains included in net income	-	(794)	-	(3,295)
Other comprehensive Income (Loss):	79,207	115,727	(13,940)	120,406
Income tax benefit (expense) related to items of other comprehensive income	(24,555)	(30,214)	4,123	(31,253)
Other Comprehensive Income (Loss), net of tax	54,652	85,513	(9,817)	89,153
Comprehensive Income	$553,095	$314,758	$1,204,666	$402,941

Note 3 - 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, 1998	October 31, 1998
Materials and Supplies..	$ 5,620,041	$ 5,957,866
Work-In-Process.........	993,149	909,618
Finished Goods..........	3,728,666	3,607,234
	$10,341,856	$10,474,718

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

Results of Operations:

Net Sales in the third quarter were $10,515,000, essentially flat with the second quarter net sales of $10,528,000 and 7% behind last year's third quarter net sales of $11,344,000. Geographically, sales from our domestic channels were $7,780,000, which were lower than last year's third quarter domestic sales of $8,917,000. Internationally, sales rose 13% to $2,735,000 from last year's sales level of $2,427,000. The shortfall in the domestic channels was confined to the Test & Measurement product line, whereas the QuickLabel Systems (QLS) and Grass Instrument product lines continued their growth profile increasing 4% and 14%, respectively, from last year's sales levels. Sales growth in the international channels was fueled by volume increases in our European and Canadian markets, whereas our Far East sales continue to be negatively impacted by the Asian financial crisis.

Through nine months, net sales in the current fiscal year were $31,100,000, down 8% from the prior year level of $33,727,000. Domestic sales were $23,386,000, while international sales were $7,714,000. Performance by product line was mixed with QLS and Grass Instrument products up 10% and 13% respectively, whereas T & M products are down 26% from last year.

Gross Profit in the third quarter was $4,294,000, representing a 41% gross profit margin. The third quarter gross profit margin compares favorably to the prior year's third quarter margin of 40%, as well as the previous three quarters' profit margins. This positive trend is the result of improved margins in both the QLS and Grass Instrument product lines.

Through nine months, gross profit was $12,439,000 reflecting a 40% profit margin. This year's gross profit margin marks an improvement over the prior year margin of 39%. The results stem from margin improvements in the QLS and Grass product lines as well as overall product mix.

Operating expenses were $4,265,000 in the third quarter, increasing 5% from the prior year's third quarter. Increases in sales personnel, R&D projects and Information Technology have caused this increased spending level. The increased information technology expenditures include additional personnel as well as Year 2000 remediation expenses. After nine months, operating expenses were $12,769,000, an increase of 8% from last year's expense levels. The increase was due to higher spending in selling and marketing, new product development and Information Technology expenses.

Other income in the third quarter was $282,000 as compared to $288,000 in the prior year's third quarter. For the nine-month period, other income was $754,000 against last year's other income of $581,000. The increase was due to favorable results in foreign currency translation and improved interest and dividend income.

Net income in the third quarter was $229,000. This reflects an EPS of 5 cents per diluted share vs. $498,000 or an EPS of 10 cents per diluted share in the prior year's third quarter. Through nine months, net income is $314,000 or an EPS of 7 cents per diluted share as compared to last year's income of $1,214,000 or an EPS of 25 cents.

Financial Condition:

Total assets as of October 31, 1998 were $41,294,000, down $1,520,000 or 4% from fiscal 1998-year end. Cash and marketable securities declined by $846,000 from fiscal 1998 year end due primarily to the Company's common stock repurchases and the asset purchase described below. Accounts receivable declined 1% to $7,739,000 at quarter's end. Inventories rose 1% to $10,475,000 due primarily to the asset purchase described below. Working capital excluding cash and marketable securities declined by 6% to $13,200,000, but the current ratio still remains strong at 5 to 1.

Capital expenditures during the first nine months were $549,000 and include the purchase of production equipment, hardware and software technology investments, building improvements, and the fixed asset portion of the asset purchase described below. Depreciation expense for the same nine months was $995,935.

During the first nine months of the fiscal year, the Company has purchased 273,400 shares of its common stock, including 182,900 shares during the third quarter. The Board of Directors approved repurchase plan currently authorizes the purchase of another 250,000 shares of Astro-Med's common stock.

Cash dividends of 4 cents per share were paid to shareholders of record during each of the first three quarters of the current fiscal year. Shareholders' equity was $33,958,000 at the end of the third quarter reflecting a book value of $7.43 per share.

Asset Purchase:

During the third quarter, the Company purchased the inventory and certain assets of Dynell, Inc. and its subsidiary Columbia Labeling Machinery. The purchase price was financed through cash from operations.

The acquisition of Dynell, Inc. and Columbia Labeling Machinery offers the Company a strategic complement to its QLS Printing Systems. The Columbia Label Applicator and Print-and-Apply Systems will serve as a natural extension to the Company's line of color label printers. After labels are printed, they must be applied to a wide range of products that require labels. The Company's QLS product group will in the future be able to offer a turnkey solution featuring an integrated color printer and requisite applicator.

Year 2000 Readiness Disclosure:

The Year 2000 issue is the result of computer programs and embedded computer chips being unable to distinguish between the Year 1900 and the Year 2000, and therefore being unable to correctly recognize and process date information beyond the Year 1999. During 1998, the Company commenced a Year 2000 readiness program to assess the impact of the Year 2000 issue on the Company's operations and address necessary remediation.

Products. All of the Company's products, where applicable, are Year 2000 Compliant: Grass Instruments - Products manufactured before 1997 did not store time or date; therefore, Year 2000 compliance is not an issue. New products that do store time and date use only Windows(TM) 95 dates which are compliant. QuickLabel Systems - Printer products do not generate or store time and date, therefore, Year 2000 compliance is not an issue. Application software that stores time and date uses only Windows(TM) 95 dates which are Year 2000 compliant. Test and Measurement - Data Acquisition Systems and application software for all instruments use only Windows(TM) 95 dates which are compliant. Stand-alone Recorders use a two-digit year for reference only. The date is not used for time sorting or any calculations. Our Quality Assurance Department has verified that there are no anomalies associated with the turnover of the Year 2000.

Year 2000 Readiness Program. The Company's Year 2000 readiness program is divided into three major sections - Information Technology (IT) infrastructure (which includes Manufacturing, Finance, Purchasing and Sales), Applications Software and Non-IT systems (including environmental, process control, and manufacturing control systems), and Third-party suppliers and customers. At October 31, 1998, all of the Company's internal IT infrastructure, Applications Software and Non-IT systems which are non-compliant have been identified and prioritized. Assessment and remediation are proceeding in tandem, and the Company currently plans to have all non-compliant systems repaired or replaced and tested by mid-1999.

The Information Technology infrastructure section of the Year 2000 readiness program includes the Company's IBM AS400 Computer hardware system as well as its J. D. Edwards Financial, Manufacturing, and Distribution business software system. The AS400 system was made fully compliant as of January, 1998. In November 1998, the Company completed the installation of an upgrade to its J. D. Edwards software suite, which is now fully Year 2000 compliant.

The Applications Software and Non-IT section includes the conversion or replacement of applications software and equipment that is not Year 2000 compliant. The Company utilizes both in-house and third-party software and equipment to operate certain aspects of its business, including telecommunications and sales contact management systems. The Company estimates that this section of the Year 2000 readiness program is approximately 20% complete at October 31, 1998, and the remaining conversion and testing projects are on schedule to be completed by mid-1999. Contingency planning for this section is scheduled to begin in early 1999 and be completed by mid-1999.

The Third-party suppliers and customers section includes the process of identifying and prioritizing critical suppliers and customers, and communicating with them directly about their plans and progress in addressing the Year 2000 problem. The Company is currently in the process of communicating with its significant vendors, service providers, and customers. Detailed evaluations of the most critical third parties will be completed in early 1999. These evaluations will be followed by the completion of contingency plans by mid-1999, with follow-up reviews scheduled through the remainder of 1999.

The total cost associated with required modifications to become Year 2000 compliant is not expected to be material to the Company's financial position. The estimated total cost of the Year 2000 readiness program is approximately $820,000. The total amount expended on the program through October 31, 1998 was $595,000, of which approximately $540,000 related to Information Technology Infrastructure, approximately $53,000 related to Applications Software and Non- IT projects, and approximately $2,000 related to the Third-party project. The future cost of completing the Year 2000 readiness program is estimated at approximately $225,000, including $15,000 to complete the IT Infrastructure project, $205,000 to complete the Applications Software and Non- IT phase, and $5,000 to complete the Third-party compliance evaluation. The Company has funded the incurred costs to-date and intends to fund the estimated costs to complete the Year 2000 readiness program through operating cash flows.

Although the Company is taking measures to address the impact, if any, of Year 2000 issues, it cannot predict the outcome or success of its Year 2000 readiness program, or whether the failure of third party systems or equipment to operate properly in the Year 2000 will have a material adverse effect on the Company's business, operating results, or financial condition, or require the Company to incur unanticipated material expenses to remedy any Year 2000 issue. The Year 2000 readiness program is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material external suppliers and customers. The Company believes that, with the implementation of upgraded business systems and completion of the Year 2000 readiness program as scheduled, the possibility of significant interruptions of normal operations should be reduced.

The foregoing discussion regarding the Company's Year 2000 readiness program's implementation, effectiveness, and cost contains forward-looking statements which are based on management's expectations, determined utilizing certain assumptions of future events including third party compliance and other factors. However, there can be no guarantee that these expectations will be realized, and actual results could differ materially from management's expectations. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area and other similar uncertainties, and the remediation success of the Company's suppliers, service providers, and customers.

Safe Harbor Statement

This document contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The factors that could cause actual results to differ materially include the following: general economic conditions and growth rates in the data acquisition, digital color printing, and neurophysiology markets, including but not limited to the electronic, printing, and medical markets; competitive factors and pricing pressures; changes in product mix; changes in the seasonality of demand patterns; the timely development and acceptance of new products; inventory risks due to shifts in market demand; component constraints and shortages; risk of non-payment of accounts receivable; ramp up and expansion of manufacturing capacity; all risks associated with the Year 2000 issue including, but not limited to, the impact on the Company's business due to internal systems or systems of suppliers and other third parties adversely affected by Year 2000 problems as previously discussed above; risks associated with the Euro conversion; and the risks described from time to time in Astro-Med's reports filed with the Securities and Exchange Commission.

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 9, 1998 By ______________________________
A. W. Ondis, Chairman
(Principal Executive Officer)

Date: December 9, 1998 By ______________________________
Joseph P. O'Connell, Vice
President and Treasurer
(Principal Financial Officer)

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1999
PERIOD START	AUG 02 1998
PERIOD END	OCT 31 1998
CASH	4,461,316
SECURITIES	7,825,216
RECEIVABLES	7,739,399
ALLOWANCES	0
INVENTORY	10,474,718
CURRENT ASSETS	31,827,819
PP&E	18,606,623
DEPRECIATION	11,151,887
TOTAL ASSETS	41,294,259
CURRENT LIABILITIES	6,343,009
BONDS	75,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,139
OTHER SE	33,700,376
TOTAL LIABILITY AND EQUITY	41,294,259
SALES	10,515,347
TOTAL REVENUES	10,515,347
CGS	6,221,371
TOTAL COSTS	6,221,371
OTHER EXPENSES	4,265,348
LOSS PROVISION	0
INTEREST EXPENSE	5,284
INCOME PRETAX	310,245
INCOME TAX	81,000
INCOME CONTINUING	229,245
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	229,245
EPS PRIMARY	0
EPS DILUTED	0

End of Filing