ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 9/7/2001 For Period Ending 8/4/2001

Address	600 E GREENWICH AVE
	WEST WARWICK, Rhode Island 02893
Telephone	401-828-4000
CIK	0000008146
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 August 04, 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 - 4,265,485 shares (excluding treasury shares) as of August 31, 2001

ASTRO-MED, INC.
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Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	August,4 2001 (Unaudited)	January 31, 2001
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,106,649	$ 806,069
Securities Available for Sale	4,058,580	5,362,523
Accounts Receivable, Net	8,328,505	10,663,624
Inventories, Net	11,598,509	10,782,425
Prepaid Expenses and Other Current Assets	2,135,191	2,038,227
Total Current Assets	28,227,434	29,652,868
PROPERTY, PLANT AND EQUIPMENT	23,186,824	22,547,305
Less Accumulated Depreciation	(14,935,751)	(14,259,992)
	8,251,073	8,287,313
OTHER ASSETS		
Goodwill	2,392,213	2,465,494
Amounts Due from Officers	480,314	480,314
Other	83,555	172,941
	2,956,082	3,118,749
	$ 39,434,589	$ 41,058,930

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 3,687,435	$ 3,711,248
Accrued Compensation	1,201,516	1,974,223
Accrued Expenses	1,587,749	1,916,597
Income Taxes Payable	30,330	96,058
Current Maturities of Long-Term Debt	44,813	46,832
Total Current Liabilities	6,551,843	7,744,958
LONG-TERM DEBT, Less Current Maturities	--	24,755
DEFERRED INCOME TAXES	923,914	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, 5,162,933 5,160,780 Shares, respectively	258,147	258,039
Additional Paid-In Capital	5,629,597	5,706,870
Retained Earnings	32,283,684	32,667,859
Treasury Stock, at Cost (897,895 and 930,895 Shares, respectively)	(5,860,610)	(6,076,003)
Accumulated Other Comprehensive Loss	(351,986)	(263,705)
	31,958,832	32,293,060
	$ 39,434,589	$ 41,058,930

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	August 4, 2001	July 29, 2000
Net Sales	$12,131,706	$13,381,804
Cost of Sales	7,365,737	7,979,218
Gross Profit	4,765,969	5,402,586
Costs and Expenses:		
Selling, General and Administrative	4,156,183	3,998,476
Research and Development	928,920	1,142,544
	5,085,103	5,141,020
Operating Income(Loss)	(319,134)	261,566
Other Income (Expense):		
Investment Income	79,858	111,064
Interest Income (Expense)	(1,471)	3,287
Other, Net	(1,825)	(18,853)
	76,562	95,498
Income (Loss) before Income Taxes	(242,572)	357,064
(Provision) Benefit for Income Taxes	48,514	(89,266)
Net Income (Loss)	$ (194,058)	$ 267,798
Net Income (Loss) Per Common Share-basic and diluted	($ 0.05)	$ 0.06
Weighted Average Number of Common Shares Outstanding - basic	4,264,406	4,425,039
Weighted Average Number of Common and Common Equivalent Shares Outstanding - diluted	4,264,406	4,468,497
Dividends Declared Per Common Share	$ .04	$ .04

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended	
	August 4, 2001	July 29, 2000
Net Sales	$24,567,716	$25,908,578
Cost of Sales	14,749,650	15,336,069
Gross Profit	9,818,066	10,572,509
Costs and Expenses:		
Selling, General and Administrative	8,283,265	7,905,553
Research and Development	1,837,454	2,235,634
	10,120,719	10,141,187
Operating Income (Loss)	(302,653)	431,322
Other Income (Expense):		
Investment Income	164,986	230,480
Interest Expense	(2,760)	(2,198)
Other, Net	84,937	(90,899)
	247,163	137,383
Income (Loss) before Income Taxes	(55,490)	568,705
(Provision)Benefit for Income Taxes	11,096	(143,047)
Net Income (Loss)	$ (44,394)	$ 425,658
Net Income (Loss) Per Common Share-basic and diluted	$ (0.01)	$ 0.10
Weighted Average Number of Common Shares Outstanding - basic	4,252,809	4,422,043
Weighted Average Number of Common and Common Equivalent Shares Outstanding - diluted	4,252,809	4,468,492
Dividends Declared Per Common Share	$ .08	$ .08

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

	Six Months Ended	
	August 4, 2001	July 29, 2000
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (44,394)	$ 425,658
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	749,040	669,320
Other	(160,524)	-
Changes in Assets and Liabilities:		
Accounts Receivable	2,335,119	(994,142)
Inventories	(930,069)	(65,096)
Other	30,879	22,229
Accounts Payable and Accrued Expenses	(995,422)	(2,086,099)
Income Taxes	(65,728)	(211,113)
Total Adjustments	963,295	(2,664,901)
Net Cash Provided (Used) by Operating Activities	918,901	(2,239,243)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	2,200,044	2,726,901
Purchases of Securities Available for Sale	(896,101)	(1,714,423)
Refund of Purchase Price for Acquisition	-	225,000
Additions to Property, Plant and Equipment	(563,990)	(396,186)
Net Cash Provided by Investing Activities	739,953	841,292
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(26,775)	(37,744)
Proceeds from Common Shares Issued Under Employee Benefit Plans	8,282	48,120
Dividends Paid	(339,781)	(353,682)
Net Cash Used by Financing Activities	(358,274)	(343,306)
Net Increase (Decrease) in Cash and Cash Equivalents	1,300,580	(1,741,257)
Cash and Cash Equivalents, Beginning of Period	806,069	4,035,867
Cash Equivalents, End of Period	$ 2,106,649	$ 2,294,610
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 2,760	$ 2,250
Income Taxes	$ 89,319	$ 232,823

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 4, 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		Six Months Ended	
	August 4, 2001	July 29, 2000	August 4, 2001	July 29, 2000
Weighted Average Common Shares Outstanding-basic	4,264,406	4,425,039	4,252,809	4,422,043
Diluted Effect of Options Outstanding	-	33,458	-	46,449
Weighted Average Common Shares Outstanding - diluted	4,264,406	4,458,497	4,252,809	4,468,492

For the three months ended August 4, 2001 and July 29, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 1,687,450 and 1,000,875, respectively because their effect is anti-dilutive.

For the six months ended August 4, 2001 and July 29, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 1,687,450 and 997,875, 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 six-months ending July 29, 2000 were $162,000 and $315,000, respectively.

(f) In July 2001, the Financial Accounting Standards Board 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.

Note 2 - COMPREHENSIVE INCOME

The Company's total comprehensive income is as follows.

	Three Months Ended		Six Months Ended	
	August 4, 2001	July 29, 2000	August 4, 2001	July 29, 2000
Comprehensive Income:				
Net Income (Loss)	($194,058)	$267,798	($ 44,394)	$425,658
Other Comprehensive Loss:				
Foreign currency translation adjustments, net of tax	(22,190)	(60,679)	(93,580)	(73,092)
Unrealized gain (loss) in securities:				
Unrealized holding gain (loss) arising during the period, net of tax	(17,823)	11,446	4,674	46,548
Reclassification adjustment for gain (loss) included in net income, net of tax	-	-	625	(1,875)
Other Comprehensive Loss	(40,013)	(49,233)	(88,281)	(28,419)
Comprehensive Income (Loss)	($234,071)	$218,565	($132,675)	$397,239

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:

	August 4, 2001	January 31, 2001
Materials and Supplies...	$ 6,112,241	$ 5,921,934
Work-In-Process..........	1,381,348	1,282,466
Finished Goods...........	4,104,920	3,578,025
	$11,598,509	$10,782,425

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

Results of Operations:

For the Three-Months Ending August 4, 2001 vs. July 29, 2000

Sales in the second quarter were $12,132,000, a decrease of 9% from the prior year's second quarter sales of $13,382,000. Domestic sales were $8,795,000, down from $9,501,000 for the second quarter of the prior fiscal year. Sales through the Company's international channels were $3,337,000, down 14% over the previous year's second quarter sales of $3,881,000. Our international sales continued to be negatively impacted by the sluggish European economy and by the strong U.S. dollar.

Sales were lower in each of the Company's product groups. Grass- Telefactor's sales were $4,400,000, a 14% decrease from the $5,110,000 of sales reported in the second quarter of the previous year. This decrease in clinical sales resulted primarily from an unusually large backlog in the prior year. QuickLabel Systems (QLS) product sales were $4,761,000, down 4% from the $4,958,000 the previous year. This decrease is attributed to the decrease in hardware sales as a result of customers delaying their capital spending. Test & Measurement (T&M) sales in the quarter were $2,971,000, down 10% from $3,314,000 reported in the second quarter of the previous year. The decline in T&M is a result of delays in delivering the new Dash 18 to the marketplace.

Gross profit dollars were $4,766,000 in the quarter. The gross profit margin realized in the quarter was 39.3%, a decrease from last year's margin of 40.4%. Product mix and lower margins in T&M and QLS account for this quarter's results.

Operating Expenses in the quarter were $5,085,000. Selling and general administrative spending rose 4% from last year to $4,156,000 due to higher international dealer commissions in this quarter as compared to last year. Excluding the impact of these commissions the selling and general administrative spending was approximately flat with the previous year.

Research and development funding decreased 19% from the prior year to $929,000. In the quarter, R & D spending was 7.7% of sales down from last year's rate of 8.5%.

Operating loss in the quarter was $319,000 as compared to the operating income for last year's second quarter of $262,000.

Other income for the quarter decreased to $77,000 from last year's $95,000.

Net loss in the current quarter was $194,000, equal to $0.05 loss per share. This compares to net income of $268,000, equal to $0.06 net income per share in the prior year's quarter.

Results of Operations (continued):

For the Six-Months Ending August 4, 2001 vs. July 29, 2000

Sales in the first half of this year were $24,568,000, down 5% from the prior year's sales of $25,909,000. Domestic sales were $17,835,000, down from $18,554,000 for the first half of the prior fiscal year. The decline in the domestic sales is attributed to the 11% decline in the QLS domestic sales. Domestic T&M and Grass-Telefactor sales were essentially flat with the prior year. Sales through the Company's international channels were $6,733,000, 9% lower than the previous year's first half sales of $7,355,000. Our international sales continued to be negatively impacted by the sluggish European economy and by the strengthening of the U.S. dollar.

Sales were lower in each of the Company's product groups. Grass- Telefactor's sales decreased to $8,919,000, a 5% decrease over the $9,368,000 of sales reported in the first half of the previous year. This decrease in clinical sales resulted primarily from an unusually large backlog in first half of the prior year. QuickLabel Systems (QLS) product sales were $9,660,000, down 5% from the $10,214,000 the previous year. This decrease is attributed to the decrease in hardware sales as a result of our customers delaying their capital spending. Test & Measurement (T&M) sales were $5,989,000, down 5% from $6,327,000 reported in the previous year. The decline in T&M sales is a result of delays in delivering the new Dash 18 to the marketplace.

Gross profit dollars were $9,818,000, a 7% decrease over last year. The gross profit margin realized in the first half of this fiscal year was 40.0%, a decrease from last year's margin of 40.8%. Product mix and lower margins in T&M and QLS account for the decline in the margin.

Operating Expenses in the first half were $10,121,000 down slightly from the prior year. Selling and general administrative spending rose 5% from last year to $8,283,000 due to higher international dealer commissions in the first half of this year as compared to last year. Excluding the impact of these higher international dealer commissions selling and general administrative spending was approximately flat with the prior year.

Research and development funding decreased 18% from the prior year to $1,837,000. In the first half of this year, R & D spending was 7.5% of sales down from last year's rate of 8.6%.

Operating loss in the first half of this year was $303,000 as compared to operating income of $431,000 in the prior year.

Other income increased to $247,000 from last year's $137,000. The increase is attributed to a $125,000 gain relating to the settlement of litigation on a contract dispute.

Net loss in the first half of this year was $44,000, equal to $0.01 loss per share. This compares to net income of $426,000, equal to $0.10 income per share, in the prior year.

Financial Condition:

The Company's Statements of Cash Flows for the six-months ending August 4, 2001 and July 29, 2000 are included on page 6. Net cash flow provided by operating activities for the first half of this year was $919,000 versus cash flow used by operating activities of $2,239,000 in the previous year.

Cash and securities available for sale at August 4, 2001 totaled $6,165,000, which approximated the balance at year-end.

The collection cycle improved by 11 days decreasing to 55 days sales outstanding at the end of the second quarter as compared to the 66 days sales outstanding at year-end.

Inventory rose to $11,599,000 from the year-end level $10,782,000 as the Company increased inventory in anticipation of the new Dash 18 and Pronto product lines. In addition, inventory increased as a result of items being manufactured for anticipated sales that were delayed. As a result of these items, inventory turns declined to 2.0 from the year-end turns of 2.5.

Capital expenditures during the six-months ended August 4, 2001 were $564,000, up 42% from the prior year amount of $396,000. The increase is primarily attributed to the purchase of machinery and equipment that will improve our manufacturing process.

In the second quarter, 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 second 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 $200,000. The agreement expired on August 3, 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 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)

Date: September 7, 2001	*By /s/ A. W. Ondis* ------------------------------ *A. W. Ondis, Chairman* *(Principal Executive Officer)*
Date: September 7, 2001	*By /s/ Joseph P. O'Connell* ------------------------------ *Joseph P. O'Connell, Vice President and Treasurer* *(Principal Financial Officer)*