ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 12/4/2000 For Period Ending 10/28/2000

Address	600 E GREENWICH AVE
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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 28, 2000

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 - 4,229,127 shares (excluding treasury shares) as of November 30, 2000

ASTRO-MED, INC.

INDEX

Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 2000	October 28, 2000 (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,035,867	$ 2,442,534
Securities Available for Sale	7,211,921	6,186,565
Accounts Receivable, Net	9,270,814	9,368,028
Inventories	11,537,478	11,238,268
Prepaid Expenses and Other Current Assets	1,926,111	1,946,444
Total Current Assets	33,982,191	$31,181,839
PROPERTY, PLANT AND EQUIPMENT	20,089,355	20,687,495
Less Accumulated Depreciation	(12,577,878)	(13,509,836)
	7,511,477	7,177,659
OTHER ASSETS		
Goodwill, Net of Accumulated Amortization	3,153,371	2,797,025
Amounts Due from Officers	480,314	480,314
Other	257,178	121,916
	3,890,863	3,399,255
	$45,384,531	$41,758,753

LIABILITIES AND SHAREHOLDERS' EQUITY	January 31, 2000	October 28, 2000 (Unaudited)
CURRENT LIABILITIES		
Accounts Payable	$ 6,379,792	$ 4,986,648
Accrued Compensation	1,710,622	1,432,008
Accrued Expenses	2,324,593	2,128,763
Income Taxes	1,169,234	327,690
Current Maturities of Long-Term Debt	60,452	57,038
Total Current Liabilities	11,644,693	8,932,147
LONG-TERM DEBT, Less Current Maturities	71,588	26,290
DEFERRED INCOME TAXES	447,666	388,769
SHAREHOLDERS' EQUITY		
Preferred Stock, $10 Par Value, Authorized 100,000 Shares, None Issued		
Common Stock, $.05 Par Value, Authorized 13,000,000 Shares, Issued 5,148,035 and 5,158,387 Shares, Respectively	257,402	257,926
Additional Paid-In Capital	5,647,791	5,698,758
Retained Earnings	33,065,454	32,261,730
Treasury Stock, at Cost (729,295 Shares)	(5,268,103)	(5,268,103)
Accumulated Other Comprehensive Income (Loss)	(481,960)	(538,764)
	33,220,584	32,411,547
	$45,384,531	$41,758,753

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended October 30, 1999	Three Months Ended October 28, 2000
Net Sales	$11,044,728	$11,730,836
Cost of Sales	6,470,743	7,497,955
Gross Profit	4,573,985	4,232,881
Costs and Expenses:		
Selling, General and Administrative	3,376,717	4,148,908
Research and Development	770,182	978,439
	4,146,899	5,127,347
Operating Income (Loss)	427,086	(894,466)
Other Income (Expense):		
Investment Income	166,353	111,698
Interest Expense	(3,718)	(3,841)
Other, Net	(40,962)	(143,364)
	121,673	(35,507)
Income (Loss) before Income Taxes	548,759	(929,973)
Provision for Income Tax Expense (Benefit)	138,314	(232,000)
Net Income (Loss)	$ 410,445	$ (697,973)
Earnings (Loss) Per Common Share-basic	$ .09	$(.16)
Earnings (Loss) Per Common Share-diluted	$ .09	$(.16)
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,410,402	4,428,825
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,451,715	4,446,487
Dividends Declared Per Common Share	$.04	$.04

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended October 30, 1999	Nine Months Ended October 28, 2000
Net Sales	$32,506,666	$37,324,509
Cost of Sales	19,311,685	22,519,119
Gross Profit	13,194,981	14,805,390
Costs and Expenses:		
Selling, General and Administrative	10,640,132	12,054,515
Research and Development	2,444,022	3,214,073
	13,084,154	15,268,588
Operating Income (Loss)	110,827	(463,198)
Other Income (Expense):		
Investment Income	512,620	342,178
Interest Expense	(11,291)	(6,038)
Other, Net	(63,397)	(234,264)
	437,932	101,876
Income (Loss) before Income Taxes	548,759	(361,322)
Provision for Income Tax Expense (Benefit)	138,314	(88,953)
Net Income (Loss)	$ 410,445	$ (272,368)
Earnings (Loss) Per Common Share-basic	$ .09	$(.06)
Earnings (Loss) Per Common Share-diluted	$ .09	$(.06)
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,439,580	4,424,321
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,498,602	4,463,154
Dividends Declared Per Common Share	$.12	$.12

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

	Nine Months Ended October 30, 1999	Nine Months Ended October 28, 2000
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 410,445	$ (272,368)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided(Used) by Operating Activities:		
Depreciation and Amortization	950,283	1,063,305
Gain on Sale of Assets	3,912	--
Other	(895)	69,661
Changes in Assets and Liabilities:		
Accounts Receivable	(399,864)	(97,214)
Inventories	(267,732)	299,210
Other	(98,441)	37,156
Accounts Payable and Accrued Expenses	1,057,768	(1,867,588)
Income Taxes	45,541	(841,544)
Total Adjustments	1,290,572	(1,337,014)
Net Cash Provided (Used) by Operating Activities:	1,701,017	(1,609,382)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	3,386,519	3,109,928
Purchases of Securities Available for Sale	(3,670,486)	(2,084,572)
Proceeds from Sales of Assets	2,800	--
Refund of Purchase Price for Acquisition		225,000
Additions to Property, Plant and Equipment	(867,871)	(705,731)
Net Cash (Used) Provided by Investing Activities	(1,149,038)	544,625
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(188,733)	(48,712)
Proceeds from Capital Lease Obligations	135,615	--
Proceeds from Common Shares Issued Under Employee Benefit Plans	14,495	51,492
Purchases of Treasury Stock	(451,001)	--
Dividends Paid	(535,141)	(531,356)
Net Cash Used by Financing Activities	(1,024,765)	(528,576)
Net Decrease in Cash and Cash Equivalents	(472,786)	(1,593,333)
Cash and Cash Equivalents, Beginning of Period	4,946,289	4,035,867
Cash Equivalents, End of Period	$ 4,473,503	$ 2,442,534
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 10,979	$ 3,246
Income Taxes	$ 45,830	$ 752,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 28, 2000

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, 2000.

(b) Earnings per common share has been computed and presented pursuant to the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share. Earning (loss) per share - basic is based on the weighted average number of shares outstanding during the period. Earnings (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	
	October 30, 1999	October 28, 2000	October 30, 1999	October 28, 2000
Weighted Average Common Shares Outstanding-basic	4,410,402	4,428,825	4,439,580	4,424,321
Diluted Effect of Options Outstanding	41,313	17,662	59,022	38,833
Weighted Average Common Shares Outstanding - diluted	4,451,715	4,446,487	4,498,602	4,463,154

For the three month's ended October 30, 1999 and October 28, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 545,375 and 1,125,825, respectively because their effect is anti-dilutive.

For the nine month's ended October 30, 1999 and October 28, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 545,375 and 943,875, respectively because their effect is anti-dilutive.

Note 2 - COMPREHENSIVE INCOME

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, are as follows.

	Three Months Ended		Nine Months Ended	
	October 30, 1999	October 28, 2000	October 30, 1999	October 28, 2000
Comprehensive Income:				
Net Income (Loss)	$ 410,445	$(697,973)	$ 410,445	$(272,368)
Other Comprehensive Income (Loss):				
Foreign currency translation adjustments, net of tax	6,858	(95,480)	(16,805)	(168,572)
Unrealized gain (loss) in securities:				
Unrealized holding gain (loss) arising during the period, net of tax	(31,666)	65,220	(191,243)	111,768
Reclassification adjustment for gain (loss) included in net income, net of tax	--	--	--	--
Other Comprehensive Loss	(24,808)	(30,260)	(208,048)	(56,804)
Comprehensive Income (Loss)	$ 385,637	$(728,233)	$ 202,397	$(329,172)

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, 2000	October 28, 2000
Materials and Supplies...	$ 5,835,050	$ 5,583,992
Work-In-Process..........	1,557,734	1,298,125
Finished Goods...........	4,144,694	4,356,151
	$11,537,478	$11,238,268

ASTRO-MED, INC.

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

RESULTS OF OPERATIONS:

FOR THREE-MONTHS ENDING OCTOBER 28, 2000 VS. OCTOBER 30, 1999:

Net Sales were $11,731,000 up 6% over last year's quarter sales of $11,045,000. Excluding Telefactor, which was acquired in December of 1999, our net sales for the quarter were essentially flat. However, the $680,000 of Telefactor products sold during the quarter was well below the breakeven level required by Telefactor's current cost structure. Hence, this quarter's low volume of Telefactor shipments together with the weak demand for Astro-Med products in our export markets, were the prime contributors to the third quarter's loss of $698,000.

Profiling the sales by Product Group has QuickLabel Systems (QLS) sales at $4,233,000, up 5% from the third quarter of last year. The Grass-Telefactor product sales were $3,648,000, up 41% over last year's quarter with Telefactor accounting for 26% of increase. Test & Measurement's (T & M) sales were $3,850,000, down 13% over last year. The decline in T & M sales is attributed primarily to the lower volume of Everest sales, the Company's new touch screen windows based data recorder. The Everest was introduced in the second quarter of this year to replace older technology in the telemetry markets.

In our domestic markets, sales rose 13% over last year to $9,082,000. Growth in those channels was affected by a 12% increase in QLS's sales as well as by a 60% increase in Grass-Telefactor sales volume, with 34% of the increase attributed to Telefactor sales. T & M's domestic sales decreased 12% from last year's third quarter sales. In the international markets, export sales declined 12% to $2,649,000 as compared to last year's third quarter. The decline can be attributed to the continued strength of the dollar rendering our products less competitive in foreign markets. To address these pricing pressures we are developing and introducing new lower cost products to compete with foreign manufacturers.

Gross Profit was $4,233,000 in the third quarter, a 7% decline over last year. The gross profit margin for the quarter was 36.1% compared to last year's gross profit margin of 41.4%. The decline in the third quarter margin is mainly attributable to 1) product mix and the decline in the sales volume; 2) costs associated with transferring Telefactor's Pennsylvania manufacturing operation to our Braintree, Massachusetts facility and 3) the severance costs relating to the Telefactor workforce reduction.

Operating expenses reached $5,127,000 in the quarter, increasing 24% from last year's expense level. The increment is traceable exclusively to general and administrative functions associated with the Telefactor acquisition as well as personnel additions in sales, service, research and development. Spending in the quarter consumed 43.7CENTS of each sales dollar up from last year's level of 37.5CENTS. In addition, the Company continues to make strategic investments in its new product initiatives through its research and development (R&D) spending. R&D as a percentage of sales in the third quarter was 8.3% up from 7.0% over last year.

An operating loss of $894,000 was incurred this year as compared to operating income of $427,000 in the prior year.

FOR THREE-MONTHS ENDING OCTOBER 28, 2000 VS. OCTOBER 30, 1999 (CONTINUED):

The Company incurred a loss of $36,000 in the quarter from its non-operating activities, down from the prior year's income level of $122,000. This decline is attributed to lower investment income stemming from a lower level of investments and foreign currency translation and transactions losses of $136,000.

Net loss in the third quarter was $698,000 or 16CENTS loss per share. The Company reported net income of $410,000 or 9CENTS earnings per share for the prior year's third quarter.

FOR NINE-MONTHS ENDED OCTOBER 28, 2000 VS. OCTOBER 30, 1999

After nine months, sales are $37,325,000, 15% higher than last year's sales of $32,507,000. QLS's sales were $13,735,000, up 13% from last year while Grass-Telefactor sales were $12,880,000, up 53% over the last year with Telefactor contributing 46% of the increase. Although T & M's sales of $10,710,000 are behind last year's by 10%, the current trend in T & M continues to be positive. We have experienced sales growth in each succeeding quarter of the current fiscal year.

Sales through domestic channels were $27,319,000, up 14% from last year. Export sales were $10,006,000, up 16% from last year with Telefactor accounting for the majority of the increase. Growth in the domestic channels was helped by the increase in QLS's sales to $9,341,000, up 17% over last year and an increase in Grass-Telefactor's sales to $9,506,000, up 47% over last year with 40% of the increase attributed to Telefactor. T & M's domestic net sales decreased to $8,472,000, down 10% over last year's sales.

On a year to date basis, gross profit was $14,805,000, reflecting a gross profit margin of 39.7%, a decline over last year's margin of 40.6%. The decline in gross margin can be attributed directly to the third quarter product mix and the previously mentioned Telefactor costs. Prior to the third quarter, the year to date gross profit margin was 41.3%.

After nine months, operating expenses were $15,269,000, representing a 17% increase over last year. This increase is primarily attributed to the Telefactor factors previously mentioned. Spending in the quarter consumed 40.9CENTS of each sales dollar up from last year's level of 40.3CENTS.

After three-quarters, the operating loss incurred was $463,000 reflecting a $574,000 decline from the prior year's operating income of $111,000.

Other income for the nine months was $102,000 as compared with $438,000 for the previous year. Lower investment income and $239,000 of foreign currency translation and transaction losses accounted for the decrease.

After nine months the Company's net loss is $272,000 or 6CENTS loss per share as compared to net income of $410,000 or 9CENTS earnings per share for the prior year.

FINANCIAL CONDITION:

The Company's statements of cash flow for the nine-months ended October 28, 2000 and October 30, 1999 are included on page 6. Net cash flow from operations for the third quarter equaled $629,000, down 3% from last year. Net cash used by operations for the nine-months of the current fiscal year equaled $1,609,000. This significant cash outflow from operations can be mainly attributed to an effort to bring accounts payable current and meeting income tax payment obligations.

During the nine-months ended, approximately $3.0 million of debt securities matured of which $1.0 million was used to fund operating activities and capital expenditures.

FINANCIAL CONDITION (CONTINUED):

We paid cash dividends during the third quarter of 4CENTS per share. The Company's book value per share at the end of the third quarter was $7.32, down slightly from the year end value of $7.39 per share.

On November 22, 2000, the Company repurchased 201,600 shares of its common stock for $806,400.

NEW ACCOUNTING PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. In June 1999, the FASB issued SFAS 137, which deferred the effective date of SFAS 133 to all fiscal quarters of years beginning after June 15, 2000. In June 2000, the FASB issued SFAS 138 which addressed issues causing implementation difficulties with SFAS 133 and also amended the accounting and reporting standards of SFAS 133 for certain derivative instruments and hedging activities. The Company does not currently enter into derivative transactions; however, the Company is evaluating whether the use of foreign exchange contracts will minimize its foreign currency exposures in the future.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. In June 2000, the SEC issued SAB 101B which delayed the implementation date of SAB 101 until no later than the fourth quarter of 2000.

The Company is still in the process of evaluating the impact of the adoption of SAB 101 on the results of operations and financial position.

In July 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs". The consensus provides guidance as to how a seller of goods should classify costs incurred for shipping and handling in the income statement. The EITF determined that amounts billed to a customer in a sale transaction related to shipping and handling should be classified as revenue. The EITF requires that the Company adopt this guidance in the fourth quarter. The Company currently includes amounts billed to customers as a reduction of shipping and handling costs which are included in the cost of sales. Upon adoption, the Company will present such costs as revenue.

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; risks associated with the Euro conversion; the impact of changes in foreign exchange rates on the result from operations; the ability to successfully integrate acquisitions and eliminate redundant costs 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)

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Date:  December 4, 2000           By _____________________________
                                        A. W. Ondis, Chairman
                                       (Principal Executive Officer)

Date:  December 4, 2000           By _____________________________
                                        Joseph P. O'Connell, Vice
                                        President and Treasurer
                                       (Principal Financial Officer)
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ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 2001
PERIOD START	FEB 01 2000
PERIOD END	OCT 28 2000
CASH	2,442,534
SECURITIES	6,186,565
RECEIVABLES	9,765,152
ALLOWANCES	397,124
INVENTORY	11,238,268
CURRENT ASSETS	1,946,444
PP&E	20,687,495
DEPRECIATION	13,509,836
TOTAL ASSETS	41,758,753
CURRENT LIABILITIES	8,932,147
BONDS	83,325
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,926
OTHER SE	32,153,621
TOTAL LIABILITY AND EQUITY	32,411,547
SALES	11,730,836
TOTAL REVENUES	11,730,836
CGS	7,497,955
TOTAL COSTS	7,497,955
OTHER EXPENSES	5,127,347
LOSS PROVISION	0
INTEREST EXPENSE	3,841
INCOME PRETAX	(929,973)
INCOME TAX	(232,000)
INCOME CONTINUING	(697,973)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(697,973)
EPS BASIC	(0.16)
EPS DILUTED	(0.16)

End of Filing