

ASTRO MED INC /NEW/

FORM 10-Q (Quarterly Report)

Filed 9/7/2000 For Period Ending 7/29/2000

Address	600 E GREENWICH AVE WEST WARWICK, Rhode Island 02893
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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 JULY 29, 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 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 - 4,428,821 shares (excluding treasury shares) as of September 5, 2000

ASTRO-MED, INC.

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Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS	JANUARY 31, 2000 ----	JULY 29, 2000 ---- (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents.....	\$ 4,035,867	\$ 2,294,610
Securities Available for Sale.....	7,211,921	6,199,442
Accounts Receivable, Net.....	9,270,814	10,264,957
Inventories.....	11,537,478	11,602,574
Prepaid Expenses and Other Current Assets...	1,926,111	1,894,947
	-----	-----
Total Current Assets.....	33,982,191	\$32,256,530
PROPERTY, PLANT AND EQUIPMENT	20,089,355	20,426,627
Less Accumulated Depreciation.....	(12,577,878)	(13,179,859)
	-----	-----
	7,511,477	7,246,768
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired.....	3,153,371	2,860,669
Amounts Due from Officers.....	480,314	480,314
Other.....	257,178	146,728
	-----	-----
	3,890,863	3,487,711
	-----	-----
	\$45,384,531	\$42,991,009
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable.....	\$ 6,379,792	\$ 4,672,886
Accrued Compensation.....	1,710,622	1,521,144
Accrued Expenses.....	2,324,593	1,971,261
Income Taxes.....	1,169,234	1,028,517
Current Maturities of Long-Term Debt.....	60,452	56,164
	-----	-----
Total Current Liabilities.....	11,644,693	9,249,972
LONG-TERM DEBT, Less Current Maturities.....	71,588	38,132
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 5,157,663 Shares, Respectively.....	257,402	257,883
Additional Paid-In Capital.....	5,647,791	5,695,423
Retained Earnings.....	33,065,454	33,137,437
Treasury Stock, at Cost (729,295 Shares)....	(5,268,103)	(5,268,103)
Accumulated Other Comprehensive Income (Loss).....	(481,960)	(508,504)
	-----	-----
	33,220,584	33,314,136
	-----	-----
	\$45,384,531	\$42,991,009
	=====	=====

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED	
	JULY 31, 1999 ----	JULY 29, 2000 ----
Net Sales.....	\$11,084,681	\$13,219,471
Cost of Sales.....	6,518,432	7,816,885
	-----	-----
Gross Profit.....	4,566,249	5,402,586
Costs and Expenses:		
Selling, General and Administrative.....	3,575,366	3,998,476
Research and Development.....	792,830	1,142,544
	-----	-----
	4,368,196	5,141,020
	-----	-----
Operating Income.....	198,053	261,566
Other Income (Expense):		
Investment Income.....	174,778	111,064
Interest Income (Expense).....	(3,481)	3,287
Other, Net.....	(7,821)	(18,853)
	-----	-----
	163,476	95,498
	-----	-----
Income before Income Taxes.....	361,529	357,064
Provision for Income Taxes.....	91,000	89,266
	-----	-----
Net Income.....	\$ 270,529	\$ 267,798
	=====	=====
Earnings Per Common Share-basic.....	\$.06	\$.06
	=====	=====
Earnings Per Common Share-diluted.....	\$.06	\$.06
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic.....	4,433,858	4,425,039
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-diluted.....	4,497,357	4,458,497
	=====	=====
Dividends Declared Per Common Share.....	\$.04	\$.04
	=====	=====

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	SIX MONTHS ENDED	
	JULY 31, 1999 ----	JULY 29, 2000 ----
Net Sales.....	\$21,461,938	\$25,593,672
Cost of Sales.....	12,840,942	15,021,163
	-----	-----
Gross Profit.....	8,620,996	10,572,509
Costs and Expenses:		
Selling, General and Administrative.....	7,263,416	7,905,553
Research and Development.....	1,673,839	2,235,634
	-----	-----
	8,937,255	10,141,187
	-----	-----
Operating Income (Loss).....	(316,259)	431,322
Other Income (Expense):		
Investment Income.....	346,267	230,480
Interest Expense.....	(7,573)	(2,198)
Other, Net.....	22,435	(90,899)
	-----	-----
	316,259	137,383
	-----	-----
Income before Income Taxes.....	0	568,705
Provision for Income Taxes.....	0	(143,047)
	-----	-----
Net Income.....	\$ 0	\$ 425,658
	=====	=====
Earnings Per Common Share-basic.....	\$.00	\$.10
	=====	=====
Earnings Per Common Share-diluted.....	\$.00	\$.10
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic.....	4,454,251	4,422,043
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-diluted.....	4,488,747	4,468,492
	=====	=====
Dividends Declared Per Common Share.....	\$.08	\$.08
	=====	=====

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

	SIX MONTHS ENDED	
	JULY 31, 1999	JULY 29, 2000
	----	----
Cash Flows from Operating Activities:		
Net Income.....	\$ 0	\$ 425,658
Adjustments to Reconcile Net Income to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization.....	724,685	669,320
Gain on Sale of Assets.....	3,912	--
Other.....	(65,304)	--
Changes in Assets and Liabilities:		
Accounts Receivable.....	(474,706)	(994,142)
Inventories.....	(229,387)	(65,096)
Other.....	136,825	22,231
Accounts Payable and Accrued Expenses..	(432,562)	(2,086,099)
Income Taxes.....	(76,760)	(211,113)
	-----	-----
Total Adjustments.....	(413,297)	(2,664,899)
Net Cash Used by		
Operating Activities.....	(413,297)	(2,239,241)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities		
Available for Sale.....	2,616,150	2,726,901
Purchases of Securities Available		
for Sale.....	(2,772,170)	(1,714,423)
Proceeds from Sales of Assets.....	2,800	--
Refund of Purchase Price for Acquisition....		225,000
Additions to Property, Plant and Equipment...	(742,439)	(396,186)
	-----	-----
Net Cash Provided (Used) by		
Investing Activities.....	(895,659)	841,292
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases.....	(86,788)	(37,744)
Proceeds from Common Shares Issued		
Under Employee Benefit Plans.....	9,331	48,120
Purchases of Treasury Stock.....	(404,001)	--
Dividends Paid.....	(358,571)	(353,682)
	-----	-----
Net Cash Used by Financing Activities.....	(840,029)	(343,306)
Net Decrease in Cash and Cash Equivalents.....	(2,148,985)	(1,741,255)
Cash and Cash Equivalents, Beginning of Period...	4,946,289	4,035,867
	-----	-----
Cash Equivalents, End of Period.....	\$2,797,304	\$2,294,610
	=====	=====
Supplemental Disclosures of Cash Flow		
Information:		
Cash Paid During the Period for:		
Interest.....	\$ 7,260	\$ 2,250
Income Taxes.....	\$ 45,830	\$ 232,823

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 29, 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, which was adopted in fiscal 1998. Net income per share basic 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, if dilutive, common equivalent shares for stock options outstanding during the period.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JULY 31, 1999 ----	JULY 29, 2000 ----	JULY 31, 1999 ----	JULY 29, 2000 ----
Weighted Average Common Shares				
Outstanding-basic	4,433,858	4,425,039	4,454,251	4,422,043
Diluted Effect of Options Outstanding.....	63,499	33,458	34,496	46,449
	-----	-----	-----	-----
Weighted Average Common Shares				
Outstanding - diluted.....	4,497,357	4,458,497	4,488,747	4,468,492
	=====	=====	=====	=====

For the three month's ended July 31, 1999 and July 29, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 636,500 and 1,000,875, respectively because their effect is anti-dilutive.

For the six month's ended July 31, 1999 and July 29, 2000, respectively, the diluted per share amounts do not reflect options outstanding of 650,500 and 997,875, respectively because their effect is anti-dilutive.

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.

Note 2 - CHANGE IN ACCOUNTING PRINCIPLES (continued)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JULY 31, 1999	JULY 29, 2000	JULY 31, 1999	JULY 29, 2000
	----	----	----	----
Comprehensive Income:				
Net Income.....	\$270,529	\$267,798	\$ 0	\$425,658
	-----	-----	-----	-----
Other Comprehensive Income (Loss):				
Foreign currency translation adjustments, net of tax.....	64,354	(60,679)	(23,663)	(73,092)
Unrealized gain (loss) in securities: Unrealized holding gain (loss) arising during the period, net of tax.....	(99,514)	11,446	(159,577)	46,548
Reclassification adjustment for gain (loss) included in net income, net of tax.....	--	--	--	(1,875)
	-----	-----	-----	-----
Other Comprehensive Income (Loss)....	(35,160)	(49,233)	(183,240)	(28,419)
Comprehensive Income (Loss)	\$235,369	\$218,565	\$(183,240)	\$397,239
	=====	=====	=====	=====

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	JULY 29, 2000
	----	----
Materials and Supplies...	\$ 5,835,050	\$ 5,956,072
Work-In-Process.....	1,557,734	1,470,664
Finished Goods.....	4,144,694	4,175,838
	-----	-----
	\$11,537,478	\$11,602,574
	=====	=====

ASTRO-MED, INC.

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

RESULTS OF OPERATIONS:

Astro-Med's sales in the quarter were \$13,219,000, a 19% increase from the 2nd quarter sales of the prior year. Sales through the Company's domestic channels were \$9,339,000, a 9% increment from last year, while export sales at \$3,880,000, increased 52% from last year. Export sales volume is distributed globally through Europe, Asia, Middle East, South & Central America, Canada and Australia markets. In this quarter, shipments to European customers represented 60% of export sales, with sales of Telefactor products representing \$906,000 of the increase.

Relative to the Company's three product groups, the Grass-Telefactor-TM- group proved especially strong in this quarter, accounting for 38% of total revenue. The product group reached a record sales volume of \$5,036,000, representing a 75% increase from the prior year's sales. The inclusion of the Telefactor product line at \$1,822,000, coupled with shipments of the new Aurora-TM- product line drove the quarter's strong results.

The Company's QuickLabel-Registered Trademark- Systems (QLS) products reached sales of \$4,613,000 in the quarter, a 14% increase from last year. Sales of QLS products through the Company's domestic and export channels were both healthy. However, sales through the export channels were especially strong, rising 19% from the prior year level.

Test and Measurement (T & M) sales, which include shipments of the Company's newest line of recorder workstations, Everest-TM-, were \$3,570,000. Customer acceptance of the Everest by both Aerospace and non-aerospace companies continues to grow in spite of delayed capital budgetary approvals and funding timetables that somewhat tempered the current quarter's volume of Everest shipments. While 2nd quarter sales passed the 1st quarter's volume by 8%, sales of T & M products ran behind the prior year's 2nd quarter by 14%. Volatility in the aerospace market has continued to affect the Company's consistent growth strategy.

After two quarters, the Company's current year's sales are \$25,593,000. This volume is running ahead of the prior year by 19%, as a combination of QLS unit growth (up 16%), the addition of the Telefactor product line (\$3,230,000) and new product introductions from Grass Instruments (Aurora) positively impacting this year's growth.

The T & M product group shows a mixed performance through six months, exhibiting sales growth between the 1st two quarters of this year, but lagging behind in aggregate dollars from last year's sales by 8%.

Gross profits in the 2nd quarter totaled \$5,402,000, an 18% improvement over last year. The mix of sales in the 2nd quarter produced a gross profit margin of 40.9%, slightly lower than last year's 41.2% gross profit margin. For the year, gross profit dollars are \$10,572,000, a 23% improvement from last year. Relative to gross

profit margins, this year's sales mix generated a gross profit margin of 41.3%, an improvement on the prior year's gross profit margin of 40.2%.

The second quarter's operating expenses of \$5,141,000 increased 18% from last year's second quarter spending. The increment is traceable exclusively to personnel additions in sales, service, research and development, and general and administrative functions associated with the Telefactor acquisition. On a year to date basis, operating expenses were \$10,141,000, 13% higher than the prior year's first six months. Exhibiting a similar profile, the increase is due to personnel additions from the Telefactor acquisition.

Operating income reached \$261,000 in the quarter, a strong improvement from the first quarter of 54% and a 32% increase from the prior year's 2nd quarter's operating increase. Our operating profit margin also improved from last year to reach 2% of sales. For the six-month period, operating income was \$431,000, an improvement of \$748,000 from the prior year's operating loss of \$316,000. The current year's operating margin on sales is 1.7% as compared with a negative 1.5% for the comparable period last year.

Other income in the quarter was \$95,000, down from the prior year's \$163,000. The change is due to lower interest and dividend income stemming from a reduced level of investable funds. For the first six months, the Company's other income totaled \$137,000 as compared to other income for the prior year of \$316,000. The result is traceable to lower interest income and foreign currency translation adjustments in the current year. The reduced income level also stems from a lower pool of investable funds.

Net income in the quarter was \$268,000 equal to 6(cents) per common share. This result approximates last year's net income in the 2nd quarter of \$271,000 or 6(cents) per common share. The return on sales for the quarter was 2% down from the prior year's return of 2.5%. For the year, the Company has earned net income of \$426,000 or 10(cents) per common share, which compares favorably to the Company's break even performance for last year's first six months.

FINANCIAL CONDITION:

The Company's balance sheet at quarter's end consisted of Assets of \$42,991,000, Liabilities of \$9,677,000 and Shareholders' Equity of \$33,314,000. Relative to liquidity, the Company's combined Cash and Securities Available for Sale declined \$2,754,000 from year-end to \$8,494,000 at the end of the quarter. The decrease was due to cash being consumed in funding trade payable obligations as well as an increase in accounts receivable.

Relative to capital asset efficiency, the Company's accounts receivable investment of \$10,265,000 represents 65 days sales outstanding whereas the inventory balances of \$11,603,000 reflects a turnover rate of 2 times.

Capital expenditures during the first six months were \$396,000 with spending confined to machinery and equipment, information technology hardware and software, and building improvements.

We paid \$354,000 in cash dividends to shareholders during the first six months. At the end of the quarter, the Company's book value per share was \$7.47 per share, up nominally from the year end value of \$7.39 per share.

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; 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: September 5, 2000

By

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

Date: September 5, 2000

By

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

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 2001
PERIOD START	APR 30 2000
PERIOD END	JUL 29 2000
CASH	2,294,610
SECURITIES	6,199,442
RECEIVABLES	10,264,957
ALLOWANCES	0
INVENTORY	11,602,574
CURRENT ASSETS	32,256,530
PP&E	20,426,627
DEPRECIATION	13,179,859
TOTAL ASSETS	42,991,009
CURRENT LIABILITIES	9,249,972
BONDS	38,132
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,883
OTHER SE	33,056,253
TOTAL LIABILITY AND EQUITY	42,991,009
SALES	13,219,471
TOTAL REVENUES	13,219,471
CGS	7,816,885
TOTAL COSTS	7,816,885
OTHER EXPENSES	5,141,020
LOSS PROVISION	0
INTEREST EXPENSE	(3,287)
INCOME PRETAX	357,064
INCOME TAX	89,266
INCOME CONTINUING	267,798
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	267,798
EPS BASIC	.06
EPS DILUTED	.06

End of Filing

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