

ASTRO MED INC /NEW/

FORM 10-Q (Quarterly Report)

Filed 6/11/2001 For Period Ending 5/5/2001

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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 May 5, 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 . 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 - 4,264,324 shares (excluding treasury shares) as of June 1, 2001

ASTRO-MED, INC.

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Part I. FINANCIAL INFORMATION

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

ASSETS	May 5, 2001 ----	January 31, 2001 ----
	(Unaudited)	
CURRENT ASSETS		
Cash and Cash Equivalents.....	\$ 1,613,564	\$ 806,069
Securities Available for Sale.....	4,315,911	5,362,523
Accounts Receivable, Net.....	9,067,923	10,663,624
Inventories.....	11,352,548	10,782,425
Prepaid Expenses and Other Current Assets..	2,037,035	2,038,227
	-----	-----
Total Current Assets.....	28,386,981	29,652,868
PROPERTY, PLANT AND EQUIPMENT		
Less Accumulated Depreciation.....	22,999,047	22,547,305
	(14,553,889)	(14,259,992)
	-----	-----
	8,445,158	8,287,313
OTHER ASSETS		
Goodwill.....	2,430,886	2,465,494
Amounts Due from Officers.....	480,314	480,314
Other.....	110,787	172,941
	-----	-----
	3,021,987	3,118,749
	-----	-----
	\$ 39,854,126	\$ 41,058,930
	=====	=====
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable.....	\$ 3,594,235	\$ 3,711,248
Accrued Compensation.....	1,232,348	1,974,223
Accrued Expenses.....	1,511,662	1,916,597
Income Taxes Payable.....	156,369	96,058
Current Maturities of Long-Term Debt.....	47,735	46,832
	-----	-----
Total Current Liabilities.....	6,542,349	7,744,958
LONG-TERM DEBT, Less Current Maturities.....	12,492	24,755
DEFERRED INCOME TAXES.....	939,804	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, 5,161,904 5,160,780 Shares, respectively.....	258,093	258,039
Additional Paid-In Capital.....	5,625,644	5,706,870
Retained Earnings.....	32,648,326	32,667,859
Treasury Stock, at Cost (897,895 and 930,895 Shares, respectively).....	(5,860,610)	(6,076,003)
Accumulated Other Comprehensive Loss.....	(311,972)	(263,705)
	-----	-----
	32,359,481	32,293,060
	-----	-----
	\$ 39,854,126	\$ 41,058,930
	=====	=====

ASTRO-MED, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	May 5, 2001	April 29, 2000
	----- (Unaudited) -----	
Net Sales.....	\$12,435,979	\$12,530,201
Cost of Sales.....	7,383,886	7,360,278

Gross Profit.....	5,052,093	5,169,923
Costs and Expenses:		
Selling, General and Administrative.....	4,127,067	3,907,078
Research and Development.....	908,533	1,093,090

	5,035,600	5,000,168

Operating Income.....	16,493	169,755
Other Income (Expense):		
Investment Income.....	85,128	119,416
Interest Expense.....	(1,289)	(5,484)
Other, Net.....	86,763	(72,047)

	170,602	41,885

Income before Income Taxes.....	187,095	211,640
Income Taxes.....	37,420	53,780

Net Income.....	\$ 149,675	\$ 157,860
	=====	
Income Per Common Share - Basic and Diluted.	\$ 0.04	\$ 0.04
	=====	
Weighted Average Number of Common and Common Equivalent Shares Outstanding-Basic.....	4,241,211	4,418,982
	=====	
Weighted Average Number of Common and Common Equivalent Shares Outstanding-Diluted.....	4,245,088	4,479,972
	=====	
Dividends Declared Per Common Share.....	\$.04	\$.04
	=====	

ASTRO-MED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	May 5, 2001	April 29, 2000
	(Unaudited)	
Cash Flows from Operating Activities:		
Net Income.....	\$ 149,675	\$ 157,860
Adjustments to Reconcile Net Income to		
Net Cash Provided (Used) by Operating		
Activities:		
Depreciation and Amortization.....	328,505	367,346
Deferred Income Taxes.....	(56,353)	(97,873)
Other.....	(20,878)	83,488
Changes in Assets and Liabilities:		
Accounts Receivable.....	1,595,701	(117,348)
Inventories.....	(692,708)	(764,108)
Other.....	63,535	12,499
Accounts Payable and Accrued Expenses.....	(1,134,057)	(1,568,719)
Income Taxes Payable.....	60,311	(211,113)
	-----	-----
Total Adjustments.....	144,056	(2,295,828)
Net Cash Provided (Used) by Operating		
Activities.....	293,731	(2,137,968)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities		
Available for Sale.....	1,942,713	385,241
Purchases of Securities Available		
for Sale.....	(896,101)	(693,471)
Refund of Purchase Price for Acquisition.....	-	225,000
Additions to Property, Plant and Equipment.....	(356,546)	(325,710)
	-----	-----
Net Cash Provided (Used) by		
Investing Activities.....	690,066	(408,940)
Cash Flows from Financing Activities:		
Principal Payments on Capital Leases.....	(11,360)	(26,978)
Proceeds from Common Shares Issued		
Under Employee Benefit Plans.....	4,266	3,730
Dividends Paid.....	(169,208)	(176,759)
	-----	-----
Net Cash Used by Financing Activities.....	(176,302)	(200,007)
Net Increase (Decrease) in Cash and Cash		
Equivalents.....	807,495	(2,746,915)
Cash and Cash Equivalents, Beginning of Period.	806,069	4,035,867
	-----	-----
Cash and Cash Equivalents, End of Period.....	\$1,613,564	\$ 1,288,952
	=====	=====
Supplemental Disclosures of Cash Flow		
Information:		
Cash Paid During the Period for:		
Interest.....	\$ 1,289	\$ 5,537
Income Taxes.....	\$ 20,900	\$ 232,823

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 5, 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. Certain reclassifications have been made to conform to the current period reporting format.

(b) Net Income 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 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, if dilutive, common equivalent shares for stock options outstanding during the period.

	Three Months Ended	
	May 5, 2001	April 29, 2000
Weighted Average Common Shares Outstanding - Basic.....	4,241,211	4,418,982
Diluted Effect of Options Outstanding.....	3,877	60,990
Weighted Average Common Shares Outstanding - Diluted.....	4,245,088	4,479,972
	=====	=====

For the three month's ended May 5, 2001 and April 29, 2000, the diluted per share amounts do not reflect options outstanding of 1,668,075 and 987,850 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 reclassified for three months ending April 29, 2000 was \$156,000.

Note 2 - COMPREHENSIVE INCOME

The Company's total comprehensive income is as follows.

Comprehensive Income (Loss):	Three Months Ended	
	May 5, 2001 ----	April 29, 2000 ----
Net Income	\$149,675	\$157,860
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments, net of tax.....	(71,390)	(12,413)
Unrealized gain on securities:		
Unrealized holding gain arising during the period, net of tax.....	22,498	35,102
Reclassification adjustment for gain (loss) included in net income, net of tax	625	(1,875)
Other Comprehensive Income (Loss).....	(48,267)	20,814
Comprehensive Income.....	\$101,408	\$178,674
	=====	=====

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:

	May 5, 2001 ----	January 31, 2001 ----
Materials and Supplies..	\$ 6,242,777	\$ 5,921,934
Work-In-Process.....	1,488,964	1,282,466
Finished Goods.....	3,620,807	3,578,025
	-----	-----
	\$11,352,548	\$10,782,425
	=====	=====

Note 4 - Purchase Price Refund

During the quarter ended April 29, 2000, the Company received \$225,000 that was held in escrow relative to the acquisition of Telefactor Corporation. The amount represented a reduction in purchase price.

ASTRO-MED, INC.

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

Results of Operations:

Sales in the first quarter were \$12,436,000, a decrease of less than 1% from the prior year's first quarter sales of \$12,530,000. Domestic sales were \$9,041,000 down slightly from \$9,057,000 for the first quarter of the prior fiscal year. Sales through the Company's international channels were \$3,395,000, down 2% over previous year's first quarter sales of \$3,473,000. Our international sales were negatively impacted by the strengthening of the U.S. dollar that occurred during the first quarter because on a local currency basis international sales increased 6% from the previous year.

The Company's product groups reported mixed sales results. Grass- Telefactor's sales increased to \$4,519,000, a 6% increase over the \$4,256,000 of sales reported in the first quarter of the previous year. This increase is primarily attributed to the increase in the Grass-Telefactor research and supplies sales. QuickLabel Systems (QLS) product sales were \$4,899,000, down 2% from the \$5,024,000 record level achieved in the first quarter of the previous year. This decrease is attributed to the decrease in hardware sales. Test & Measurement (T&M) sales in the quarter were \$3,018,000, down 7% from \$3,250,000 reported in the first quarter of the previous year. The decline in T&M sales can be attributed to international channels as T&M's domestic sales increased 6% when compared to the previous fiscal year.

Gross profit dollars were \$5,052,000, a 2% decrease over last year. The gross profit margin realized in the quarter was 40.6%, a decrease from last year's margin of 41.3%. Product mix and lower margins in T&M account for this quarter's result.

Operating Expenses in the quarter were \$5,036,000. Selling and general administrative spending rose 6% from last year to \$4,127,000 due to higher international dealer commissions in this quarter as compared to last year.

Research and development funding decreased 17% from the prior year to \$909,000. In the quarter, R & D spending was 7.3% of sales down from last year's rate of 8.7%.

Operating income in the quarter was \$16,000 a \$154,000 decline from last year.

Other income increased to \$171,000 from last year's \$42,000. The increase is attributed to a \$125,000 gain relating to the settlement of litigation on a contract dispute.

Net income in the first quarter was \$150,000 equal to \$0.04 earnings per share. This compares to a net income of \$158,000, equal to \$0.04 earnings per share in the prior year's first quarter.

Financial Condition:

The Company's Statements of Cash Flows for the three-months ending May 5, 2001 and April 29, 2000 are included on page 5. Net cash flow provided by operating activities for the current quarter was \$294,000 versus cash flow used by operating activities of \$2,138,000 in the first quarter of the previous year.

Cash and securities available for sale declined \$239,000 from year-end. The demand placed on the Company's cash balances during the quarter was traceable to working capital requirements and capital expenditures.

The collection cycle improved by four days decreasing to 62 days sales outstanding at the end of the quarter as compared to the 66 days outstanding at year-end.

Inventory rose to \$11,353,000 from the year-end level as the Company increased its build of components in anticipation of the product launch of the new Dash 18 and Pronto product lines. As a result, inventory turns declined to 2.2 times from 2.5 times at year-end.

Capital expenditures were \$357,000 in the quarter ended May 5, 2001 as the Company purchased machinery and equipment, information technology hardware and software and tools and dies.

The Company paid cash dividends in the quarter of \$169,000 or \$0.04 per common share.

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 4. Results of Votes of Security Holders

An Annual Meeting of Shareholders of the registrant was held May 15, 2001. A proposed increase in the maximum shares under the 1998 Non-Qualified Stock Option Plan of 600,000 to 1,000,000 was presented to shareholders for their approval. Also, shareholders were asked to elect a Board of Directors to serve until the next Annual Meeting of Shareholders or until their successors are elected and qualified.

The Company proposed increase in the maximum share under the 1998 Non-Qualified Stock Option Plan was approved by the following vote: For-2,216,049; Against-518,303; Abstain-4,611.

In an uncontested election, nominees for directors were elected by the following votes:

Name of Nominee for Director -----	Votes For ---	Votes Withheld -----
Albert W. Ondis	3,707,640	375,360
Everett V. Pizzuti	3,705,640	377,360
Jacques V. Hopkins	3,711,565	371,435
Hermann Viets	3,711,340	371,660
Neil K. Robertson	3,711,471	371,529

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

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: June 11, 2001

By /s/ A. W. Ondis

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

Date: June 11, 2001

By /s/ Joseph P. O'Connell

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

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