ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 9/1/1999 For Period Ending 7/31/1999

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 JULY 31, 1999

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 - 4,406,239 shares (excluding treasury shares) as of August 31, 1999

ASTRO-MED, INC.
INDEX

PAGE NO.

Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 1999	July 31, 1999 (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,946,289	$ 2,797,304
Securities Available for Sale	7,907,142	7,903,585
Accounts Receivable, Net	7,708,806	8,183,512
Inventories	10,217,020	10,446,407
Prepaid Expenses and Other Current Assets	1,986,336	1,918,922
Total Current Assets	32,765,593	31,249,730
PROPERTY, PLANT AND EQUIPMENT	18,678,055	19,383,592
Less Accumulated Depreciation	(11,448,380)	(12,208,338)
	7,229,675	7,175,254
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired	903,784	885,634
Amounts Due from Officers	480,314	480,314
Other	374,866	305,454
	1,758,964	1,671,402
	$41,754,232	$40,096,386

LIABILITIES AND SHAREHOLDERS' EQUITY	January 31, 1999	July 31, 1999
CURRENT LIABILITIES		
Accounts Payable	$ 3,427,766	$ 3,370,514
Accrued Compensation	1,446,770	1,083,811
Accrued Expenses	1,110,484	1,098,133
Income Taxes	1,062,892	986,132
Current Maturities of Long-Term Debt	211,021	141,210
Total Current Liabilities	7,258,933	6,679,800
LONG-TERM DEBT, Less Current Maturities	16,977	-
EXCESS OF NET ASSETS ACQUIRED OVER COST	108,839	54,073
DEFERRED INCOME TAXES	667,676	595,947
SHAREHOLDERS' EQUITY		
Preferred Stock, $10 Par Value, Authorized 100,000 Shares, None Issued		
Common Stock, $.05 Par Value, Authorized 13,000,000 Shares, Issued 5,143,520 and 5,145,220 Shares, Respectively	257,176	257,261
Additional Paid-In Capital	5,641,317	5,650,562
Retained Earnings	32,837,880	32,480,549
Treasury Stock, at Cost (662,295 Shares and 731,295 Shares, Respectively)	(4,889,343)	(5,293,343)
Accumulated Other Comprehensive Income (Loss)	(145,223)	(328,463)
	33,701,807	32,766,566
	$41,754,232	$40,096,386

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended August 1, 1998	Three Months Ended July 31, 1999
Net Sales	$10,528,111	$11,084,681
Cost of Sales	6,258,930	6,518,432
Gross Profit	4,269,181	4,566,249
Costs and Expenses:		
Selling, General and Administrative	3,503,524	3,575,366
Research and Development	734,332	792,830
	4,237,856	4,368,196
Operating Income	31,325	198,053
Other Income (Expense):		
Investment Income	209,953	174,778
Interest Expense	(6,066)	(3,481)
Other, Net	19,195	(7,821)
	223,082	163,476
Income before Income Taxes	254,407	361,529
Provision for Income Taxes	66,000	91,000
Net Income	$ 188,407	$ 270,529
Earnings Per Common Share-basic	$ .04	$ .06
Earnings Per Common Share-diluted	$ .04	$ .06
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,740,523	4,433,858
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,775,098	4,497,357
Dividends Declared Per Common Share	$.04	$.04

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended August 1, 1998	Six Months Ended July 31, 1999
Net Sales	$20,584,551	$21,461,938
Cost of Sales	12,439,763	12,840,942
Gross Profit	8,144,788	8,620,996
G		
Costs and Expenses:		
Selling, General and Administrative	7,011,214	7,263,416
Research and Development	1,492,296	1,673,839
	8,503,510	8,937,255
Operating Loss	(358,722)	(316,259)
Other Income (Expense):		
Investment Income	418,757	346,267
Interest Expense	(12,209)	(7,573)
Other, Net	65,718	(22,435)
	472,266	316,259
Income before Income Taxes	113,544	0
Provision for Income Taxes	29,000	0
Net Income	$ 84,544	$ 0
Earnings Per Common Share-basic	$ .02	$ .00
Earnings Per Common Share-diluted	$ .02	$ .00
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,760,447	4,454,251
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,796,971	4,488,747
Dividends Declared Per Common Share	$.08	$.08

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

	Six Months Ended	
	August 1, 1998	July 31, 1999
Cash Flows from Operating Activities:		
Net Income	$ 84,544	$ 0
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	610,789	724,685
Gain on Sale of Assets	--	3,912
Other	20,954	(65,304)
Changes in Assets and Liabilities:		
Accounts Receivable	323,366	(474,706)
Inventories	127,123	(229,387)
Other	170,024	136,825
Accounts Payable and Accrued Expenses	155,836	(432,562)
Income Taxes	54,940	(76,760)
Total Adjustments	1,463,032	(413,297)
Net Cash Provided (Used) by Operating Activities	1,547,576	(413,297)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	3,553,884	2,616,150
Purchases of Securities Available for Sale	(3,757,883)	(2,772,170)
Proceeds from Sales of Assets	--	2,800
Additions to Property, Plant and Equipment	(344,826)	(742,439)
Net Cash Used by Investing Activities	(548,825)	(895,659)
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(87,896)	(86,788)
Proceeds from Common Shares Issued Under Employee Benefit Plans	7,421	9,331
Purchases of Treasury Stock	(625,125)	(404,001)
Dividends Paid	(383,266)	(358,571)
Net Cash Used by Financing Activities	(1,088,866)	(840,029)
Net Decrease in Cash and Cash Equivalents	(90,115)	(2,148,985)
Cash and Cash Equivalents, Beginning of Period	5,659,552	4,946,289
Cash and Cash Equivalents, End of Period	$ 5,569,437	$ 2,797,304
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 13,146	$ 7,260
Income Taxes	$ 0	$ 45,830

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 1999

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, 1999.

(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. Earnings per commom share
- basic is based on the weighted average number of shares outstanding during the period. Earnings per common share - diluted 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 1, 1998	July 31, 1999	August 1, 1998	July 31, 1999
Weighted Average Common Shares Outstanding-basic	4,740,523	4,433,858	4,760,447	4,454,251
Diluted Effect of Options Outstanding......	34,575	63,499	36,524	34,496
Weighted Average Common Shares Ourstanding - diluted....................	4,775,098	4,497,357	4,796,971	4,488,747

For the three and six month's ended July 31, 1999, the diluted per share amounts do not reflect options outstanding of 650,500, 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	
	August 1, 1998	July 31, 1999	August 1, 1998	July 31, 1999
Comprehensive Income(Loss):				
Net Income..........................	$188,407	$270,529	$ 84,544	$ 0
Other Comprehensive Income (Loss):				
Foreign currency translation. adjustments, net of tax.......	(30,600)	64,354	18,589	(23,663)
Unrealized holding gain (loss) arising during the period, net of tax...................	10,191	(99,514)	(12,604)	(159,577)
Less: reclassification adjustment for gains included in net income, net of tax...........	(2,501)	-	(2,501)	-
Other Comprehensive Income (Loss): ...	(22,910)	(35,160)	3,484	(183,240)
Comprehensive Income (Loss)	165,497	235,369	88,028	(183,240)

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, 1999	July 31, 1999
Materials and Supplies...	$ 5,356,973	$ 5,849,555
Work-In-Process..........	721,448	1,088,250
Finished Goods...........	4,138,599	3,508,602
	$10,217,020	$10,446,407

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

RESULTS OF OPERATIONS:

Net Sales in the 2nd quarter were $11,085,000, up 5% over last year's 2nd quarter sales of $10,528,000. Domestically, sales were $8,537,000 rising 11% from last year, while internationally, sales at $2,548,000 were down 10% from last year. Our growth in domestic channels was helped by increases in all three product groups including QuickLabel Systems (QLS) up 21%, Test & Measurement (T & M) up 10%, and Grass Instruments up 3%. International sales were affected by sluggish demand in both the T & M and the Grass product groups, whereas sales of QLS products remained healthy, growing 15% from last year's level.

For the year, Astro-Med sales are $21,462,000, 4% higher than last year's results of $20,585,000. Sales through domestic channels were $15,869,000 whereas international sales were $5,593,000. Profiling sales by product group has QLS leading the sales growth with an increment of 21% while Grass Instruments increased 12% for the six-month period year to year. T & M sales were behind sales for the first six months of last year by 14% but were higher in the 2nd quarter than the 1st quarter of this year.

Gross Profit dollars reached $4,566,000 in the quarter, a 7% improvement over last year, producing a gross profit margin of 41.2% as compared to last year's 40.6%. The improvement in the 2nd quarter margin is attributable to product mix as well as improved profit margin in each product group. On a year to date basis, gross profit was $8,621,000 resulting in a gross profit margin of 40.2%, an improvement over last year's margin of 39.6%. The improvement stems from better margins in each product group as well as the overall product mix.

Operating expenses were $4,368,000 in the quarter rising 3% from last year's level. These expenses include a $178,000 charge for severance costs associated with reduction in personnel in the S G & A and R & D functions implemented in May 1999. We anticipate these cost reductions will result in cost savings of approximately $2,000,000 annually. After six-months operating expenses were $8,937,000, representing a 5% increase over last year.

Operating Income in the quarter was $198,000 an improvement over last year's operating income of $31,000 as well as generating an operating profit margin of 2%. For the year we have realized an operating loss of $316,000, reflecting a $43,000 reduction in the prior year's operating loss of $359,000.

Other income was $163,000 in the quarter, down from the prior year's level of $223,000. The amount is traceable to lower investment income stemming from reduced invested funds. Other income in the six months was $316,000 as compared with $472,000 for the previous year. Lower investment income and foreign currency translation adjustments account for the decrease.

Net income in the 2nd quarter was $271,000 or 6(CENTS) earnings per share. The prior year's 2nd quarter reported net income of $188,000 or 4(CENTS) earnings per share. After six months the Company is at breakeven in net income as compared to net income of $85,000 or 2 (CENTS) earnings per share for the prior year.

FINANCIAL CONDITION:

Our balance sheet remained strong at $40,096,000 in total assets at the end of the second quarter. Cash and marketable securities declined $897,000 during the quarter to $10,700,000. Cash was used to fund working capital, capital expenditures and purchases of Astro-Med common stock. Working capital balances declined to $24,570,000 from the 1st quarter level of $24,651,000 and increased slightly from the prior year end level of $25,507,000. Our current ratio, although healthy, was virtually flat with the 1st quarter at 4.68 to 1 but slightly higher than the year end current ratio of 4.51 to 1.

Capital expenditures were $386,000 in the quarter as the Company acquired machinery and equipment (label press) and IT hardware and software.

During the quarter we acquired another 50,500 shares of the Company's common stock to add to the 1st quarter purchases of 18,500 shares, bringing the total purchases this year to 69,000 shares. At present, management has Board approval to acquire an additional 250,000 shares of Astro-Med common stock. Regular cash dividends of 4(CENTS) per share were paid in the 1st and 2nd quarters.

Shareholders' equity declined 1% during the 2nd quarter to $32,766,000 at quarter end.

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 Product Group - 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 WindowsTM 95 dates which are compliant. QuickLabel Systems Product Group - 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 WindowsTM 95 dates which are compliant. Label Applicator products and certain Print and Apply models do not store time or date; therefore, compliance is not an issue. Those Print and Apply and Thermal Recorder products which do store time and date are compliant. Test and Measurement

Product Group - Data Acquisition Systems and application software for all instruments use only WindowsTM 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. All non-compliant systems 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 the fall of 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 in January 1998. In November 1998, the Company completed the installation of an upgrade to its J. D. Edwards software suite, which is now fully compliant. This section of the project is 100% complete.

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 50% complete at July 31, 1999, and the remaining conversion and testing projects are on schedule to be completed by the fall of 1999. Contingency planning for this section has begun and is scheduled to be completed by the fall of 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 are currently being performed. These evaluations will be followed by the development of contingency plans, 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 related to the Year 2000 readiness program is approximately $816,000, which includes hardware and software upgrades that were previously planned to obtain greater capacity and functionality. The total amount expended through July 31, 1999 was $649,000, of which approximately $553,000 related to Information Technology Infrastructure, approximately $91,000 related to Applications Software and Non-IT projects, and approximately $5,000 related to the Third-party project. The future cost of completing the

Year 2000 readiness program is estimated at approximately $167,000, including $165,000 to complete the Applications Software and Non-IT phase, and $2,000 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; the ability of the Company to achieve the estimated cost savings; 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:  August 31, 1999              By ____________________________
                                         A. W. Ondis, Chairman
                                        (Principal Executive Officer)

Date:  August 31, 1999              By ____________________________
                                         Joseph P. O'Connell, Vice
                                         President and Treasurer
                                        (Principal Financial Officer)
```

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 2000
PERIOD START	MAY 02 1999
PERIOD END	JUL 31 1999
CASH	2,797,304
SECURITIES	7,903,585
RECEIVABLES	8,183,512
ALLOWANCES	0
INVENTORY	10,446,407
CURRENT ASSETS	31,249,730
PP&E	19,383,592
DEPRECIATION	12,208,338
TOTAL ASSETS	40,096,386
CURRENT LIABILITIES	6,679,800
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,261
OTHER SE	32,509,305
TOTAL LIABILITY AND EQUITY	40,096,386
SALES	11,084,681
TOTAL REVENUES	11,084,681
CGS	6,518,432
TOTAL COSTS	6,518,432
OTHER EXPENSES	4,368,196
LOSS PROVISION	0
INTEREST EXPENSE	3,481
INCOME PRETAX	361,529
INCOME TAX	91,000
INCOME CONTINUING	270,529
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	270,529
EPS BASIC	.06
EPS DILUTED	.06

End of Filing