

# ASTRO MED INC /NEW/

## FORM 10-Q (Quarterly Report)

Filed 9/9/1997 For Period Ending 8/2/1997

Address	600 E GREENWICH AVE WEST WARWICK, Rhode Island 02893
Telephone	401-828-4000
CIK	000008146
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 August 2, 1997 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.**

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(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

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(Registrant's telephone number, including area code)

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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 - 4,813,954 shares (excluding treasury shares) as of September 8, 1997

# ASTRO-MED, INC.

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**Part I. FINANCIAL INFORMATION**

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

ASSETS	January 31, 1997	August 2, 1997 (Unaudited)
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents.....	\$ 6,561,184	\$ 6,832,573
Securities Available for Sale.....	7,099,358	7,318,876
Accounts Receivable, Net.....	8,311,736	7,037,331
Inventories.....	10,361,505	10,564,998
Prepaid Expenses and Other Current Assets..	1,441,505	1,673,457
	-----	-----
Total Current Assets.....	33,775,288	33,427,235
<b>PROPERTY, PLANT AND EQUIPMENT.....</b>		
Less Accumulated Depreciation.....	(8,986,149)	(9,665,708)
	-----	-----
	8,060,820	7,884,779
<b>OTHER ASSETS</b>		
Excess of Cost Over Net Assets Acquired....	976,384	958,234
Other.....	508,935	784,313
	-----	-----
	1,485,319	1,742,547
	-----	-----
	\$43,321,427	43,054,561
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable.....	\$ 1,614,986	\$ 2,543,012
Accrued Compensation.....	1,115,026	1,168,546
Accrued Expenses.....	1,318,103	1,016,467
Income Taxes.....	819,535	301,232
Current Maturities of Long-Term Debt.....	97,706	150,628
	-----	-----
Total Current Liabilities.....	4,965,356	5,179,885
LONG-TERM DEBT, Less Current Maturities.....	258,135	316,135
EXCESS OF NET ASSETS ACQUIRED OVER COST.....	544,199	435,359
DEFERRED INCOME TAXES.....	794,895	794,895
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$10 Par Value, Authorized 100,000 Shares, None Issued....		
Common Stock, \$.05 Par Value, Authorized 13,000,000 Shares, Issued 5,136,737 and 5,138,507 Shares, Respectively.....	256,837	256,925
Additional Paid-In Capital.....	5,624,239	5,638,220
Retained Earnings.....	32,772,044	33,145,777
Treasury Stock, at Cost (209,395 Shares and 291,895 Shares, Respectively).....	(1,804,986)	(2,530,196)
Cumulative Translation Adjustment.....	(76,649)	(169,702)
Net Unrealized (Loss) on Securities Available for Sale.....	(12,643)	(12,737)
	-----	-----
	36,758,842	36,328,287
	-----	-----
	\$43,321,427	\$43,054,561
	=====	=====

**ASTRO-MED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended	
	August 3, 1996	August 2, 1997
Net Sales.....	\$11,178,773	\$10,676,531
Cost of Sales.....	6,775,828	6,675,149
Gross Profit.....	4,402,945	4,001,382
Costs and Expenses:		
Selling, General and Administrative.....	3,131,111	3,250,544
Research and Development.....	597,592	697,369
	3,728,703	3,947,913
Operating Income.....	674,242	53,469
Other Income (Expense):		
Investment Income.....	151,669	200,718
Interest Expense.....	(3,958)	(10,055)
Other, Net.....	17,515	(64,462)
	165,226	126,201
Income before Income Taxes.....	839,468	179,670
Provision for Income Taxes.....	253,000	42,000
Net Income.....	\$ 586,468	\$ 137,670
Earnings Per Common Share.....	\$.12	\$.03
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,031,192	4,927,211
Dividends Declared Per Common Share.....	\$.03	\$.04

**ASTRO-MED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	Six Months Ended	
	August 3, 1996	August 2, 1997
Net Sales.....	\$21,668,594	\$22,383,036
Cost of Sales.....	13,307,354	13,877,745
Gross Profit.....	8,361,240	8,505,291
Costs and Expenses:		
Selling, General and Administrative.....	6,482,377	6,389,643
Research and Development.....	1,203,507	1,406,696
	7,685,884	7,796,339
Operating Income.....	675,356	708,952
Other Income (Expense):		
Investment Income.....	670,708	394,918
Interest Expense.....	(7,913)	(13,294)
Other, Net.....	35,433	(88,480)
	698,228	293,144
Income before Income Taxes.....	1,373,584	1,002,096
Provision for Income Taxes.....	344,000	286,055
Net Income .....	\$ 1,029,584	\$ 716,041
Earnings Per Common Share.....	\$.20	\$.15
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,034,633	4,939,486
Dividends Declared Per Common Share.....	\$.06	\$.08

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

	Six Months Ended	
	August 3, 1996	August 2, 1997
	----	----
Cash Flows from Operating Activities:		
Net Income.....	\$1,029,584	\$ 716,041
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	455,432	588,869
Gain on Sale of Investment.....	(416,090)	
Other.....		(93,147)
Changes in Assets and Liabilities:		
Accounts Receivable.....	806,853	1,274,405
Inventories.....	859,510	(203,493)
Other.....	(352,201)	308,308
Accounts Payable and Accrued Expenses..	(205,830)	679,910
Income Taxes.....	295,768	(518,303)
	-----	-----
Total Adjustments.....	1,443,442	2,036,549
Net Cash Provided by Operating Activities.....	2,473,026	2,752,590
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale.....	1,487,684	167,018
Purchases of Securities Available for Sale.....	(146,313)	(1,202,173)
Proceeds from Sale of Building.....	515,935	
Additions to Property, Plant and Equipment.....	(425,966)	(303,517)
	-----	-----
Net Cash Provided by Investing Activities.....	1,431,340	(1,338,672)
Cash Flows from Financing Activities:		
Payments of Long-Term Debt.....	(50,000)	(89,078)
Proceeds from Common Shares Issued Under Employee Benefit Plans.....	43,137	14,069
Purchases of Treasury Stock.....	(429,567)	(725,210)
Dividends Paid.....	(299,440)	(342,310)
	-----	-----
Net Cash (Used) by Financing Activities...	(735,870)	(1,142,529)
Net Increase in Cash and Cash Equivalents.....		
	3,168,496	271,389
Cash and Cash Equivalents, Beginning of Period.....	2,033,713	6,561,184
	-----	-----
Cash and Cash Equivalents, End of Period.....	\$5,202,209	\$6,832,573
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest.....	\$ 24,410	\$ 19,858
Income Taxes.....	\$ 48,714	\$ 600,956
Other Non-Cash Transactions:		
Acquisition of Leased Equipment.....		\$ 200,000

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 2, 1997

**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, 1997.

(b) Earnings per common share are computed based on the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents include the dilutive effect of certain stock options under the treasury stock method. Fully diluted earnings per share have not been separately presented since they would not be materially different.

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 128, Earnings Per Share, which supercedes APB Opinion 15. The Statement's objective is to simplify and harmonize the computation of earnings per share and to make the U.S. standard for computing earnings per share more compatible with the EPS standards of other countries and with that of the International Accounting Standards Committee. As required by SFAS No. 128, the Company will adopt this statement for the fiscal year ending January 31, 1998.

Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the second quarter of fiscal year 1997 would have been \$.12. Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the six month period of fiscal year 1997 would have been \$.20 and \$.21, respectively.

Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the second quarter of fiscal year 1998 would have been \$.03. Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the six month period of fiscal year 1998 would have been \$.15.

**Note 2 - 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, 1997	August 2, 1997
	-----	-----
Materials and Supplies..	\$ 5,558,216	\$ 5,866,270
Work-In-Process.....	779,337	1,088,201
Finished Goods.....	4,023,952	3,610,527
	-----	-----
	\$10,361,505	\$10,564,998
	=====	=====



## ASTRO-MED, INC.

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

#### **Results of Operations:**

Second quarter net sales of \$10,677,000 were lower than the prior year's second quarter by 5%. The decrease was primarily due to the Company's international channel which had a 20% decline from last year's second quarter net sales. The strong US dollar adversely affected international net sales dollars although unit volumes in France, England and Asia were also down from last year. Domestically, net sales rose 2% over last year's second quarter. A sales profile by product group indicates Bar Code/Label Printer Products and Grass Products reported single digit growth rates and Core Products reported a 13% decline from last year's second quarter. For the six-month period, the Company's net sales are \$22,383,000 reflecting a 3% increase over the prior year's net sales for the same period. The sales results by channel are mixed with domestic volumes being up 9% over the prior year while international sales are behind last year by 13%.

Gross Profit Margins reached 38% in the second quarter as compared to 39% in last year's second quarter. The lower gross margin percentage is due to an unabsorbed factory overhead stemming from the lower sales volume. The six-month period has a similar profile with gross profit margins of 38% compared with last year's gross profit margins of 39%.

Operating Expenses of \$3,948,000 rose 6% from last year's second quarter level and were 3% higher than this year's first quarter. The increase in spending was due to additions in field sales personnel and Research & Development expenditures. General & Administrative spending was 10% lower than last year's second quarter and 11% lower than the first quarter. After six months, Operating Expenses are \$7,797,000, a 1% increment over the prior year level. Selling and R & D expenses were up 5% and 17%, respectively, and G & A spending was 20% lower than last year.

Second quarter other income, net of \$126,000 which is net of currency exchange loss of \$92,000 was lower than last year's second quarter by \$38,000. Other income, net was \$293,000 as compared to last year's \$698,000 for the first two quarters. The difference results from last year's gain of \$416,000 realized on the sale of a partnership interest from the Company's investment portfolio.

#### **Financial Condition:**

On the Balance Sheet, Assets rose 1% from the previous year. Cash and Marketable Securities increased 18% to \$14,151,000 while the Company's working capital dollars remained flat at \$28,247,000. Capital Expenditures were \$398,000 during the second quarter with the primary investment being a capital lease associated with the purchase of application software for the Company's Information Technology architecture. The Company continued its

stock repurchase plan by purchasing 41,000 shares during the second quarter. The Company's Shareholders' Equity balance rose slightly from a year ago to \$36,328,000 while the Company's book value per common share rose 3% to \$7.50 at the end of the second quarter.

Cash Flow decreased \$325,000 during the second quarter as an outgrowth of the lower earnings and the disbursements made for Treasury Stock, \$411,000 and Dividends, \$196,000. For the six-month period of the current fiscal year, the Company's cash flow has increased \$272,000.

**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 8, 1997*

*By /s/ A. W. Ondis*

\_\_\_\_\_  
*A. W. Ondis, Chairman  
(Principal Executive Officer)*

*Date: September 8, 1997*

*By /s/ Joseph P. O'Connell*

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

## **SAFE HARBOR STATEMENT**

Statements which are not historical facts including statements about our expectations on new and existing products and opportunities, market growth, demand and acceptance of new and existing products are forward looking statements that involve risks and uncertainties. Those uncertainties include but are not limited to product demand and market acceptance risks; the impact of competitive products and pricing; delays or difficulties in developing, producing, testing and selling new products and technologies; capacity and supply constraints or difficulties; trade, legal, social and economic risks such as licensing, and trade restrictions, including those affecting international trade; and other risk factors listed from time to time in the Company's SEC reports including but not limited to the report on Form 10-Q for the quarter ended August 2, 1997.

## ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD START	MAY 04 1997
PERIOD END	AUG 02 1997
CASH	6,832,573
SECURITIES	7,318,876
RECEIVABLES	7,037,331
ALLOWANCES	0
INVENTORY	10,564,998
CURRENT ASSETS	33,427,235
PP&E	17,550,487
DEPRECIATION	9,665,708
TOTAL ASSETS	43,054,561
CURRENT LIABILITIES	5,179,885
BONDS	313,135
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	256,925
OTHER SE	36,071,362
TOTAL LIABILITY AND EQUITY	43,054,561
SALES	10,676,531
TOTAL REVENUES	10,676,531
CGS	6,675,149
TOTAL COSTS	6,675,149
OTHER EXPENSES	3,947,913
LOSS PROVISION	0
INTEREST EXPENSE	10,055
INCOME PRETAX	179,670
INCOME TAX	42,000
INCOME CONTINUING	137,670
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	137,670
EPS PRIMARY	.03
EPS DILUTED	.03

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**End of Filing**

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