ASTRO MED INC /NEW/

FORM 10-Q
(Quarterly Report)

Filed 6/9/1999 For Period Ending 5/1/1999

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 May 1, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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For the transition period from                        to
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Commission file number                          0-13200
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ASTRO-MED, INC.

(Exact name of registrant as specified in its charter)

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         RHODE ISLAND                              05-0318215
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  (State or other jurisdiction of              (I.R.S. Employer
   incorporation or organization)              Identification No.)
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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 - 4,420,789 shares (excluding treasury shares) as of June 4, 1999

ASTRO-MED, INC.
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Part I. FINANCIAL INFORMATION

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 1999	May 1, 1999 (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,946,289	$ 3,673,244
Securities Available for Sale	7,907,142	7,924,443
Accounts Receivable, Net	7,708,806	6,989,929
Inventories	10,217,020	10,730,367
Prepaid Expenses and Other Current Assets	1,986,336	2,085,761
Total Current Assets	32,765,593	31,403,744
PROPERTY, PLANT AND EQUIPMENT	18,678,055	19,000,166
Less Accumulated Depreciation	(11,448,380)	(11,817,244)
	7,229,675	7,182,922
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired	903,784	894,709
Amounts Due from Officers	480,314	480,314
Other	374,866	444,913
	1,758,964	1,819,936
	$41,754,232	$40,406,602

LIABILITIES AND SHAREHOLDERS' EQUITY	January 31, 1999	May 1, 1999
CURRENT LIABILITIES		
Accounts Payable	$ 3,427,766	$ 3,450,349
Accrued Compensation	1,446,770	1,207,998
Accrued Expenses	1,110,484	905,715
Income Taxes	1,062,892	1,018,737
Current Maturities of Long-Term Debt	211,021	169,792
Total Current Liabilities	7,258,933	6,752,591
LONG-TERM DEBT, Less Current Maturities	16,977	--
EXCESS OF NET ASSETS ACQUIRED OVER COST	108,839	81,283
DEFERRED INCOME TAXES	667,676	562,029
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 5,144,360 Shares, Respectively	257,176	257,218
Additional Paid-In Capital	5,641,317	5,645,588
Retained Earnings	32,837,880	32,386,851
Treasury Stock, at Cost (662,295 Shares and 668,939 Shares, Respectively)	(4,889,343)	(4,985,655)
Accumulated Other Comprehensive Income (Loss)	(145,223)	(293,303)
	33,701,807	33,010,699
	$41,754,232	$40,406,602

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	May 2, 1998	May 1, 1999
Net Sales	$10,056,440	$10,377,257
Cost of Sales	6,180,833	6,322,510
Gross Profit	3,875,607	4,054,747
Costs and Expenses:		
Selling, General and Administrative	3,507,636	3,688,050
Research and Development	757,964	881,009
	4,265,600	4,569,059
Operating Loss	(389,992)	(514,312)
Other Income (Expense):		
Investment Income	208,804	171,489
Interest Expense	(6,143)	(4,092)
Other, Net	46,523	(14,614)
	249,184	152,783
Loss before Income Taxes	(140,808)	(361,529)
Benefit for Income Taxes	(37,000)	(91,000)
Net Loss	$ (103,808)	$ (270,529)
Loss Per Common Share-basic	$(.02)	$(.06)
Loss Per Common Share-diluted	$(.02)	$(.06)
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic	4,780,634	4,474,873
Weighted Average Number of Common and Common Equivalent Shares Oustanding-diluted	4,780,634	4,474,873
Dividends Declared Per Common Share	$.04	$.04

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

	Three Months Ended May 2, 1998	Three Months Ended May 1, 1999
Cash Flows from Operating Activities:		
Net Loss	$ (103,808)	$ (270,529)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	312,273	350,384
Other	35,634	(159,576)
Changes in Assets and Liabilities:		
Accounts Receivable	430,329	718,876
Inventories	(376,027)	(513,347)
Other	(228,723)	(169,473)
Accounts Payable and Accrued Expenses	334,341	(420,958)
Income Taxes	(45,977)	(44,155)
Total Adjustments	461,850	(238,249)
Net Cash Provided (Used) by Operating Activities	358,042	(508,778)
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale	1,417,000	1,891,670
Purchases of Securities Available for Sale	(1,462,917)	(1,969,034)
Additions to Property, Plant and Equipment	(184,487)	(356,200)
Net Cash Used by Investing Activities	(230,404)	(433,564)
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases	(56,205)	(58,207)
Proceeds from Common Shares Issued Under Employee Benefit Plans	5,467	4,316
Purchases of Treasury Stock	(39,961)	(96,313)
Dividends Paid	(191,720)	(180,499)
Net Cash Used by Financing Activities	(282,419)	(330,703)
Net Decrease in Cash and Cash Equivalents	(154,781)	(1,273,045)
Cash and Cash Equivalents, Beginning of Period	5,659,552	4,946,289
Cash and Cash Equivalents, End of Period	$5,504,771	$3,673,244
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 8,956	$ 3,155
Income Taxes	$ 5,675	$ 45,830

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 1, 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) Loss 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 loss per share is based on the weighted average number of shares outstanding during the period. Net 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	
	May 2, 1998	May 1, 1999
Weighted Average Common Shares Outstanding-basic and dilutive..........	4,780,634	4,474,873
Diluted Effect of Options Outstanding (not considered because anti-dilutive)..	38,404	15,178

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	
	May 2, 1998	May 1, 1999
Comprehensive Income:		
Net Loss	$(103,808)	$(270,529)
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments.	58,408	(88,018)
Unrealized gain(loss) on securities:		
Unrealized holding gain (loss) arising during the period	(22,795)	(62,210)
Less: reclassification adjustment for losses included in net income	--	2,148
Other Comprehensive Income (Loss):	35,613	(148,080)
Comprehensive Income (Loss)	(68,195)	(418,609)

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	May 1, 1999
Materials and Supplies	$ 5,356,973	$ 5,763,676
Work-In-Process	721,448	971,000
Finished Goods	4,138,599	3,995,691
	$10,217,020	$10,730,367

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

RESULTS OF OPERATIONS:

Net Sales in the first quarter were $10,377,000, an increase of 3% over the prior year's first quarter sales of $10,056,000. Export sales were up by 42% over the prior year's first quarter, offsetting a 7% decline in domestic channel sales. The shortfall in the domestic channels was concentrated in the Test & Measurement product line, which was down 24%, whereas growth in the QuickLabel Systems (QLS) and Grass product lines continued across both the domestic and export channels. QLS sales were $4,115,000, increasing by 24%, and Grass sales were $2,940,000, increasing by 26% over last year's first quarter results.

Gross Profit dollars in the first quarter were $4,055,000, which represents a 39% gross profit margin. The first quarter gross profit margin matched last year's first quarter margin, despite the continued shift in product mix from T&M to QLS and Grass.

Operating expenses were $4,569,000 in the first quarter, an increase of 7% over the prior year's first quarter. This increase was due to additions in sales personnel and sales incentives, personnel additions in research and development, and increased information technology expenditures.

Other income in the first quarter was $153,000 as compared to $249,000 in the prior year's first quarter, with the decrease due to unfavorable foreign currency translation adjustments and lower interest and dividend income.

Net loss after taxes in the quarter was $271,000, equal to a loss of 6 cents per share. This compares to a net loss of $104,000, equal to a loss of 2 cents per share in the prior year's first quarter.

Due to the continuing softness in the Company's traditional Test & Measurement markets, the Company has taken steps to lower its break-even point through a reduction in personnel, which took place at the beginning of the second quarter. The Company will record severance pay of approximately $200,000 during the second quarter, to cover this reduction in force. Going forward, the reduction in force will lower the Company's break-even level by approximately $2 million on an annualized basis.

FINANCIAL CONDITION:

Total Assets as of May 1, 1999 were $40,407,000, down $1,347,000 or 3% from fiscal 1999 year end.

Cash and marketable securities declined by $1,256,000 from fiscal 1999 year end, primarily due to the net loss, increased working capital, capital expenditures, and the Company's continuing common stock repurchase program. Accounts receivable dollars declined by 9% to $6,990,000 at quarter end, which reflects 57 days sales outstanding.

Inventories increased by 5% to $10,730,000. Overall, working capital excluding cash and marketable securities increased by 3% to $13,053,000, and the current ratio remains strong at 5 to 1.

Capital expenditures during the first quarter were $356,000 and include the purchase of production and test equipment, hardware and software technology investments, and building improvements. Depreciation expense for the quarter was $369,000.

The Company purchased 18,500 shares of its common stock during the first quarter, under its Board of Directors approved share repurchase program, for $96,000. Under the Board of Directors' authorization, the Company has approval to repurchase another 181,500 shares of the Company's common stock.

Cash dividends of 4 cents per share were paid to shareholders of record during the first quarter. Shareholders' equity was $33,010,000 at the end of the quarter, reflecting a book value of $7.38 per share.

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 applicable. 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 applicable. 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 May 1, 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 complete by mid-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 will be completed by mid-1999. 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 $723,000, which includes hardware and software upgrades that were previously planned to obtain greater capacity and functionality. The total amount expended through May 1, 1999 was $640,000, of which approximately $553,000 related to Information Technology Infrastructure, approximately $82,000 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 $83,000, including $81,000 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; 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 4. Results of Votes of Security Holders

An Annual Meeting of Shareholders of the registrant was held May 18, 1999. The 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.

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	3,907,547	15,194
Everett V. Pizzuti	3,907,697	15,044
Jacques V. Hopkins	3,905,597	17,144
Hermann Viets	3,905,597	17,144
Neil K. Robertson	3,905,597	15,144

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: June 8, 1999 By ____________________________
A. W. Ondis, Chairman
(Principal Executive Officer)

Date: June 8, 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	FEB 01 1999
PERIOD END	MAY 01 1999
CASH	3,673,244
SECURITIES	7,924,443
RECEIVABLES	6,989,929
ALLOWANCES	0
INVENTORY	10,730,367
CURRENT ASSETS	31,403,744
PP&E	19,000,166
DEPRECIATION	11,817,244
TOTAL ASSETS	40,406,602
CURRENT LIABILITIES	6,752,591
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,218
OTHER SE	32,753,481
TOTAL LIABILITY AND EQUITY	40,406,602
SALES	10,377,257
TOTAL REVENUES	10,377,257
CGS	6,322,510
TOTAL COSTS	6,322,510
OTHER EXPENSES	4,569,059
LOSS PROVISION	0
INTEREST EXPENSE	4,092
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