

# ASTRO MED INC /NEW/

## FORM 10-Q (Quarterly Report)

Filed 9/4/1998 For Period Ending 8/1/1998

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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 August 1, 1998

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 - 4,517,736 shares (excluding treasury shares) as of August 31, 1998

**ASTRO-MED, INC.**  
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**Part I. FINANCIAL INFORMATION**

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

	January 31, 1998	August 1, 1998
	-----	-----
		(Unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents.....	\$ 5,659,552	\$ 5,569,437
Securities Available for Sale.....	7,472,693	7,661,023
Accounts Receivable, Net.....	7,828,064	7,504,698
Inventories.....	10,341,856	10,214,733
Prepaid Expenses and Other Current Assets.....	1,561,313	1,391,290
	-----	-----
Total Current Assets.....	32,863,478	32,341,181
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	18,056,693	18,401,519
Less Accumulated Depreciation.....	(10,155,952)	(10,857,431)
	-----	-----
7,900,741	7,544,088	
<b>OTHER ASSETS</b>		
Excess of Cost Over Net Assets Acquired.....	940,084	921,934
Amounts Due from Officers.....	453,264	453,264
Other.....	656,147	655,542
	-----	-----
	2,049,495	2,030,740
	-----	-----
	\$42,813,714	\$41,916,009
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable.....	\$ 2,267,722	\$ 2,489,681
Accrued Compensation.....	1,221,662	1,420,909
Accrued Expenses.....	1,470,849	1,205,479
Income Taxes.....	614,631	669,571
Current Maturities of Long-Term Debt.....	177,774	177,774
	-----	-----
Total Current Liabilities.....	5,752,638	5,963,414
LONG-TERM DEBT, Less Current Maturities.....	227,998	140,102
EXCESS OF NET ASSETS ACQUIRED OVER COST.....	326,519	217,679
DEFERRED INCOME TAXES.....	747,560	747,560
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock, \$10 Par Value, Authorized 100,000 Shares, None Issued.....		
Common Stock, \$.05 Par Value, Authorized 13,000,000 Shares, Issued 5,140,448 and 5,142,031 Shares, Respectively.....	257,023	257,076
Additional Paid-In Capital.....	5,649,101	5,656,471
Retained Earnings.....	33,085,917	32,787,195
Treasury Stock, at Cost (355,895 Shares and 446,395 Shares, Respectively).....	(3,062,945)	(3,688,070)
Accumulated Other Comprehensive Income (Loss)	(170,097)	(165,418)
	-----	-----
	35,758,999	34,847,254
	-----	-----
	\$42,813,714	\$41,916,009
	=====	=====

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

	Three Months Ended	
	August 2, 1997	August 1, 1998
Net Sales.....	\$10,676,531	\$10,528,111
Cost of Sales.....	6,675,149	6,258,930
Gross Profit.....	4,001,382	4,269,181
Costs and Expenses:		
Selling, General and Administrative.....	3,250,544	3,503,524
Research and Development.....	697,369	734,332
	3,947,913	4,237,856
Operating Income.....	53,469	31,325
Other Income (Expense):		
Investment Income.....	200,718	209,953
Interest Expense.....	(10,055)	(6,066)
Other, Net.....	(64,462)	19,195
	126,201	223,082
Income before Income Taxes.....	179,670	254,407
Provision for Income Taxes.....	42,000	66,000
Net Income.....	\$ 137,670	\$ 188,407
	=====	=====
Earnings Per Common Share-basic.....	\$.03	\$.04
	====	====
Earnings Per Common Share-diluted.....	\$.03	\$.04
	====	====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic.....	4,865,841	4,740,523
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-diluted.....	4,927,211	4,775,098
	=====	=====
Dividends Declared Per Common Share.....	\$.04	\$.04
	====	====

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

	Six Months Ended	
	August 2, 1997	August 1, 1998
Net Sales.....	\$22,383,036	\$20,584,551
Cost of Sales.....	13,877,745	12,439,763
Gross Profit.....	8,505,291	8,144,788
Costs and Expenses:		
Selling, General and Administrative.....	6,389,643	7,011,214
Research and Development.....	1,406,696	1,492,296
	7,796,339	8,503,510
Operating Income (Loss).....	708,952	(358,722)
Other Income (Expense):		
Investment Income.....	394,918	418,757
Interest Expense.....	(13,294)	(12,209)
Other, Net.....	(88,480)	65,718
	293,144	472,266
Income before Income Taxes.....	1,002,096	113,544
Provision for Income Taxes.....	286,055	29,000
Net Income.....	\$ 716,041	\$ 84,544
	=====	=====
Earnings Per Common Share-basic.....	\$.15	\$.02
	====	====
Earnings Per Common Share-diluted.....	\$.15	\$.02
	====	====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-basic.....	4,889,827	4,760,447
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding-diluted.....	4,939,486	4,796,971
	=====	=====
Dividends Declared Per Common Share.....	\$.08	\$.08
	====	====

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

	Six Months Ended	
	August 2, 1997	August 1, 1998
Cash Flows from Operating Activities:		
Net Income.....	\$ 716,041	\$ 84,544
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	588,869	610,789
Other.....	(93,147)	20,954
Changes in Assets and Liabilities:		
Accounts Receivable.....	1,274,405	323,366
Inventories.....	(203,493)	127,123
Other.....	308,308	170,024
Accounts Payable and Accrued Expenses.....	679,910	155,836
Income Taxes.....	(518,303)	54,940
Total Adjustments.....	2,036,549	1,463,032
Net Cash Provided by Operating Activities.....	2,752,590	1,547,576
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities		
Available for Sale.....	167,018	3,553,884
Purchases of Securities Available for Sale.....	(1,202,173)	(3,757,883)
Additions to Property, Plant and Equipment.....	(303,517)	(344,826)
Net Cash Used by Investing Activities.....	(1,338,672)	(548,825)
Cash Flows from Financing Activities:		
Principle Payments on Capital Leases.....	(89,078)	(87,896)
Proceeds from Common Shares Issued		
Under Employee Benefit Plans.....	14,069	7,421
Purchases of Treasury Stock.....	(725,210)	(625,125)
Dividends Paid.....	(342,310)	(383,266)
Net Cash Used by Financing Activities.....	(1,142,529)	(1,088,866)
Net Increase (Decrease) in Cash and Cash Equivalents.....	271,389	(90,115)
Cash and Cash Equivalents, Beginning of Period.....	6,561,184	5,659,552
Cash and Cash Equivalents, End of Period.....	\$ 6,832,573	\$ 5,569,437
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest.....	\$ 19,858	\$ 13,146
Income Taxes.....	\$ 600,956	\$ 0
Other Non-Cash Transactions:		
Acquisition of Leased Equipment.....	\$ 200,000	\$ 0

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

August 1, 1998

**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, 1998.

(b) Earnings per common share have 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 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 common equivalent shares for stock options outstanding during the period.

	Three Months Ended		Six Months Ended	
	August 2, 1997	August 1, 1998	August 2, 1997	August 1, 1998
Weighted Average Common Shares Outstanding-basic.....	4,865,841	4,740,523	4,889,827	4,760,447
Diluted Effect of Options Outstanding.....	61,370	34,575	49,659	36,524
Weighted Average Common Shares Outstanding-diluted....	4,927,211	4,775,098	4,939,486	4,796,971
	=====	=====	=====	=====

**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.

	Three Months Ended		Six Months Ended	
	August 2, 1997	August 1, 1998	August 2, 1997	August 1, 1998
Comprehensive Income:				
Net Income.....	\$137,670	\$188,407	\$716,041	\$ 84,544
Other Comprehensive Income(Loss):				
Foreign currency translation adjustments.....	(37,955)	(38,624)	(93,053)	19,784
Unrealized gain(loss) on securities:				
Unrealized holding gain (loss) arising during the period.....	17,593	10,191	(94)	(12,604)
Less: reclassification adjustment for gains included in net income.....	-	(2,501)	-	(2,501)
Other comprehensive Income (Loss): .....	(20,362)	(30,934)	(93,147)	4,679
Income tax benefit (expense) related to items of other comprehensive income.....	4,760	8,024	26,547	(1,195)
Other Comprehensive Income (Loss), net of tax.....	(15,602)	(22,910)	(66,600)	3,484
Comprehensive Income.....	\$122,068	\$165,497	\$649,441	\$ 88,028
	=====	=====	=====	=====



**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, 1998	August 1, 1998
Materials and Supplies.....	\$ 5,620,041	\$ 6,017,704
Work-In-Process.....	993,149	802,096
Finished Goods.....	3,728,666	3,394,933
	-----	-----
	\$10,341,856	\$10,214,733
	=====	=====

**ASTRO-MED, INC.**

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

**Results of Operations:**

Net Sales in the second quarter reached \$10,528,000 rising 5% from the first quarter's sales of \$10,056,000 but were 1% behind last year's second quarter sales of \$10,677,000. Sales through the domestic channels were \$7,689,000 whereas our international sales were \$2,839,000 in the quarter. Domestic sales were lower than last year's second quarter sales of \$8,177,000. International sales were healthy with revenues 13% ahead of last year's sales with most international branches posting double digit sales increases.

After six months, sales revenues in the current fiscal year were \$20,584,000 which are down 8% from the prior year level of \$22,383,000. Domestically, sales were \$15,606,000, whereas the international sales volume was \$4,978,000.

Gross Profit dollars in the second quarter were \$4,269,000, 7% better than last year and 10% higher than the first quarter's gross profit dollars. The second quarter's gross margin percentage of 41% compares favorably to the prior year margin of 38% as well as the first quarter's margin of 39%. This quarter's result is an outgrowth of product mix and improved margins in both the QLS and Grass Instrument product lines.

After six months, Gross Profit dollars were \$8,145,000 reflecting a margin of 40%. This year's gross margin percentage marks an improvement over the prior year margin of 38%. The improvement is traceable to improved margins and product mix.

Spending in the Selling, Research and Development and General and Administrative accounts was \$4,238,000 during the quarter. This quarter's expenses were higher by 7% from last year and are traceable to increases in sales personnel, R & D projects and Information Technology requirements. After six months operating expenses were \$8,503,000, an increase of 9% from last year's expense levels. The increase was due to higher spending in selling & marketing, new product development and G & A expenses.

Other Income in the quarter was \$223,000 reflecting a sharp increase over the prior year's income level of \$126,000. The improvement is due to increases in dividend and interest income as well as reductions in losses realized on foreign currency translations. For the six month period other income was \$472,000 against last year's level of \$293,000, and was due to favorable results in foreign currency translation and improved interest income.

Net Income in the second quarter was \$188,000 or 4c per share. This year's result was an improvement of 37% over the prior year's second quarter net income and translates into an improvement of 1c per share. Net income after six months is \$85,000 or 2c per share as compared to the prior year net income of \$716,000 or 15c per share.

**Financial Condition:**

The Company's balance sheet remains strong with cash and marketable securities increasing \$98,000 from year end to \$13,230,000 at second quarter's end. Accounts Receivable dollars declined 4% to \$7,505,000. Inventories also declined \$127,000 to \$10,215,000. The working capital balance declined from year end to \$26,378,000 but still reflects a strong current ratio of 5:42 to 1.

Capital expenditures during the first six months were \$345,000 reflecting a mix of purchases including production equipment, hardware and software technology investments, and building improvements.

During the first half of the current fiscal year, the Company has purchased 90,500 shares of its Common Stock with 62,500 shares purchased during the second quarter. The Board of Directors approved repurchase plan currently authorizes the purchase of another 311,176 shares of its common stock.

Cash Dividends of 4c per share were paid to shareholders of record during the first quarter and second quarter of the current fiscal year. Shareholders' equity was \$34,847,000 at the end of the second quarter.

**Year 2000:**

The Year 2000 issue is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in system failures or miscalculations.

The Company is currently working to resolve the Year 2000 issue and has established processes for evaluating and managing the risks and costs associated with products sold as well as products purchased by the Company. The Company will utilize both internal and external resources to reprogram or replace, and test the software for Year 2000 modifications. In addition, the Company is communicating with suppliers and customers with whom the Company does business to coordinate the Year 2000 conversion. The Company's present state of readiness and costs to address the Year 2000 issues have been summarized in the following chart:

System Type	Time Table for Completion	YEAR 2000 COSTS		
		Incurred to-Date	Est. to Complete	Total Est. Cost
IT Systems:				
A/S 400 IBM Midrange System	Completed - 1/98	\$200,751	\$ -	\$200,751
Financial/Manufacturing/ Distribution Business Software Systems	October, 1998	321,243	15,000	336,243
Other Internal IT and Non-IT Hardware and Software	April, 1999	30,294	255,000	285,294
		=====	=====	=====
		\$552,288	\$270,000	\$822,288
		=====	=====	=====

**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; 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 4, 1998

By

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

Date: September 4, 1998

By

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

## ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1999
PERIOD START	MAY 03 1998
PERIOD END	AUG 01 1998
CASH	5,569,437
SECURITIES	7,661,023
RECEIVABLES	7,504,698
ALLOWANCES	0
INVENTORY	10,214,733
CURRENT ASSETS	32,341,181
PP&E	18,401,519
DEPRECIATION	10,857,431
TOTAL ASSETS	41,916,009
CURRENT LIABILITIES	5,963,414
BONDS	100,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	257,076
OTHER SE	34,590,178
TOTAL LIABILITY AND EQUITY	41,916,009
SALES	10,528,111
TOTAL REVENUES	10,528,111
CGS	6,258,930
TOTAL COSTS	6,258,930
OTHER EXPENSES	4,237,856
LOSS PROVISION	0
INTEREST EXPENSE	6,066
INCOME PRETAX	254,407
INCOME TAX	66,000
INCOME CONTINUING	188,407
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	188,407
EPS PRIMARY	.04
EPS DILUTED	.04

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**End of Filing**

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