

ASTRO MED INC /NEW/

FORM 10-Q (Quarterly Report)

Filed 12/9/1997 For Period Ending 11/1/1997

Address	600 E GREENWICH AVE WEST WARWICK, Rhode Island 02893
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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 November 1, 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.

(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 - 4,809,904 shares (excluding treasury shares) as of December 2, 1997

ASTRO-MED, INC.

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Part I. FINANCIAL INFORMATION

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

ASSETS	January 31, 1997 ----	November 1, 1997 ---- (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents.....	\$ 6,561,184	\$ 6,485,277
Securities Available for Sale.....	7,099,358	7,437,510
Accounts Receivable, Net.....	8,311,736	8,206,339
Inventories.....	10,361,505	10,199,655
Prepaid Expenses and Other Current Assets..	1,441,505	1,346,758
	-----	-----
Total Current Assets.....	33,775,288	33,675,539
PROPERTY, PLANT AND EQUIPMENT		
Less Accumulated Depreciation.....	17,046,969	17,957,665
	(8,986,149)	(10,057,557)
	-----	-----
	8,060,820	7,900,108
OTHER ASSETS		
Excess of Cost Over Net Assets Acquired....	976,384	949,159
Other.....	508,935	785,668
	-----	-----
	1,485,319	1,734,827
	-----	-----
	\$43,321,427	43,310,474
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable.....	\$ 1,614,986	\$ 2,495,317
Accrued Compensation.....	1,115,026	1,163,211
Accrued Expenses.....	1,318,103	1,283,114
Income Taxes.....	819,535	360,620
Current Maturities of Long-Term Debt.....	97,706	150,628
	-----	-----
Total Current Liabilities.....	4,965,356	5,452,890
LONG-TERM DEBT, Less Current Maturities.....	258,135	285,873
EXCESS OF NET ASSETS ACQUIRED OVER COST.....	544,199	380,939
DEFERRED INCOME TAXES.....	794,895	794,895
STOCKHOLDERS' EQUITY		
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 5,139,495 Shares, Respectively.....	256,837	256,975
Additional Paid-In Capital.....	5,624,239	5,642,368
Retained Earnings.....	32,772,044	33,451,461
Treasury Stock, at Cost (209,395 Shares and 329,895 Shares, Respectively).....	(1,804,986)	(2,851,695)
Cumulative Translation Adjustment.....	(76,649)	(102,561)
Net Unrealized (Loss) on Securities Available for Sale.....	(12,643)	(671)
	-----	-----
	36,758,842	36,395,877
	-----	-----
	\$43,321,427	\$43,310,474
	=====	=====

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	November 2, 1996	November 1, 1997
Net Sales.....	\$11,110,514	\$11,344,294
Cost of Sales.....	6,572,197	6,857,626
Gross Profit.....	4,538,317	4,486,668
Costs and Expenses:		
Selling, General and Administrative.....	3,017,702	3,383,091
Research and Development.....	643,092	668,924
	3,660,794	4,052,015
Operating Income.....	877,523	434,653
Other Income (Expense):		
Investment Income.....	157,489	211,241
Interest Expense.....	(3,349)	(7,546)
Other, Net.....	41,665	84,040
	195,805	287,735
Income before Income Taxes.....	1,073,328	722,388
Provision for Income Taxes.....	389,620	223,945
Net Income.....	\$ 683,708	\$ 498,443
	=====	=====
Earnings Per Common Share.....	\$.14	\$.10
	====	====
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,014,191	4,896,071
	=====	=====
Dividends Declared Per Common Share.....	\$.03	\$.04
	====	====

ASTRO-MED, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended	
	November 2, 1996	November 1, 1997
Net Sales.....	\$32,779,109	\$33,727,329
Cost of Sales.....	19,879,552	20,735,370
Gross Profit.....	12,899,557	12,991,959
Costs and Expenses:		
Selling, General and Administrative.....	9,500,079	9,772,735
Research and Development.....	1,846,599	2,075,620
	11,346,678	11,848,355
Operating Income.....	1,552,879	1,143,604
Other Income (Expense):		
Investment Income.....	828,197	606,159
Interest Expense.....	(15,366)	(20,840)
Other, Net.....	81,200	(4,440)
	894,031	580,879
Income before Income Taxes.....	2,446,910	1,724,483
Provision for Income Taxes.....	733,620	510,000
Net Income	\$ 1,713,290	\$ 1,214,483
	=====	=====
Earnings Per Common Share.....	\$.34	\$.25
	=====	=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding.....	5,025,371	4,919,601
	=====	=====
Dividends Declared Per Common Share.....	\$.09	\$.12
	=====	=====

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

	Nine Months Ended	
	November 2, 1996	November 1, 1997
	----	----
Cash Flows from Operating Activities:		
Net Income.....	\$1 ,713,290	\$ 1,214,483
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	703,175	935,373
Gain on Sale of Investment.....	(416,090)	
Other.....		(13,940)
Changes in Assets and Liabilities:		
Accounts Receivable.....	60,389	105,397
Inventories.....	904,664	161,850
Other.....	(95,881)	(284,263)
Accounts Payable and Accrued Expenses.....	535,791	893,529
Income Taxes.....	639,613	(458,915)
	-----	-----
Total Adjustments.....	2,331,661	1,339,031
Net Cash Provided by Operating Activities.....	4,044,951	2,553,514
Cash Flows from Investing Activities:		
Proceeds from Sales of Securities Available for Sale.....	1,487,684	2,335,200
Purchases of Securities Available for Sale.....	(282,669)	(2,571,075)
Proceeds from Sale of Building.....	515,935	
Additions to Property, Plant and Equipment.....	(649,455)	(710,696)
	-----	-----
Net Cash Provided by Investing Activities.....	1,071,495	(946,571)
Cash Flows from Financing Activities:		
Payments of Long-Term Debt.....	(50,000)	(119,339)
Proceeds from Common Shares Issued Under Employee Benefit Plans.....	62,084	18,267
Purchases of Treasury Stock.....	(565,942)	(1,046,709)
Dividends Paid.....	(457,359)	(535,069)
	-----	-----
Net Cash (Used) by Financing Activities.....	(1,011,217)	(1,682,850)
Net Increase in Cash and Cash Equivalents.....	4,105,229	(75,907)
Cash and Cash Equivalents, Beginning of Period.....	2,033,713	6,561,184
	-----	-----
Cash and Cash Equivalents, End of Period.....	\$ 6,138,942	\$ 6,485,277
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest.....	\$ 24,477	\$ 25,061
Income Taxes.....	\$ 69,855	\$ 751,437
Other Non-Cash Transactions:		
Acquisition of Leased Equipment.....		\$ 200,000

ASTRO-MED, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 1, 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 third quarter of fiscal year 1997 would have been \$.14. Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the nine month period of fiscal year 1997 would have been \$.34.

Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the third quarter of fiscal year 1998 would have been \$.10. Pro-Forma basic and diluted earnings per share had the Company adopted SFAS No. 128 for the nine month period of fiscal year 1998 would have been \$.25.

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	November 1, 1997
	-----	-----
Materials and Supplies..	\$ 5,558,216	\$ 5,449,024
Work-In-Process.....	779,337	1,069,655
Finished Goods.....	4,023,952	3,680,976
	-----	-----
	\$10,361,505	\$10,199,655
	=====	=====

ASTRO-MED, INC.

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

Results of Operations:

Sales in the 3rd quarter of \$11,344,000 increased 2% over last year's 3rd quarter. The increase was confined to our domestic channels which saw volume growth of 10% over the prior year's 3rd quarter sales. International sales showed mixed results with sales volume from our European and Canadian branches up 2% over last year, while sales volume from our export channels were behind last year by 42%. The lower sales volume from the export channel is traceable primarily to soft demand in the Asian and Pacific Rim markets.

Product line performance reflects 9% sales growth in the QLS [Quick Label Systems] division which includes the CQL-4 Color Printer, and 15% sales growth in the Grass Instrument Products division, driven primarily by the Heritage digital EEG and PSG Systems sales. Sales volume in the Core Products line was down 7% from last year's 3rd quarter level.

After nine months, current fiscal year sales of \$33,727,000 are ahead of last year by 3%. Domestic sales are up 10% while international sales are down 15% from the prior year's nine month volume.

Gross profit was \$4,487,000 in the 3rd quarter or a 40% margin. The result was below last year's 3rd quarter margin of 41% due to a combination of product mix and factory related expenses. After nine months, gross profit of \$12,992,000 is virtually flat with last year and gross profit margins at 39% are comparable to last year's level of 39%.

Operating expenses were \$4,052,000 during the 3rd quarter, an increase of 11% over last year's 3rd quarter. The increase reflects the investment the Company continues to make in expanding its field sales personnel as well as its commitment to new product development through R & D funding.

After nine months, operating expenses are \$11,848,000, higher by 4% over the prior year's nine month result. This year's spending has selling & marketing up 7%, R & D up 12% and G & A down 9% from last year's results.

Other income, net, for the 3rd quarter was \$288,000, a 47% increase over last year's 3rd quarter. The improvement stems from additional interest and dividend income as well as gains related to foreign currency valuations. On a year to date basis, other income, net, is \$581,000 as compared to last year's \$894,000. The primary reason for the difference is a \$416,000 gain realized on the sale of a partnership interest during the 1st quarter of the prior fiscal year.

Income taxes for the 3rd quarter were at a rate of 31% as compared to last year's 36% rate in the 3rd quarter. For the nine month period, this year's provision for income taxes was 30% and matched last year's rate.

Financial Condition:

On the Balance Sheet total assets of \$43,310,000 are flat with the previous fiscal year-end. During the nine months, Cash and marketable securities have risen by \$262,000 to \$13,923,000. Working capital levels excluding cash and marketable securities declined 6% to \$14,300,000, while the Company's current ratio remained strong at 6.2 to 1.

Capital expenditures this year are \$711,000 and are mostly related to investments in machinery and equipment, building renovations and information technology improvements.

During the 3rd quarter the Company purchased an additional 43,000 shares of common stock under its Stock Repurchase Plan. To date, the Company has purchased 126,000 shares of treasury stock at an aggregate cost of \$1,047,000. The Shareholders' Equity investment rose nominally from the 2nd quarter to \$36,396,000 at quarter's end resulting in a book value of \$7.43 per share.

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 November 1, 1997.

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: December 2, 1997

By /s/ A. W. Ondis

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

Date: December 2, 1997

By /s/ Joseph P. O'Connell

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

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD START	AUG 3 1997
PERIOD END	NOV 1 1997
CASH	6,485,277
SECURITIES	7,437,510
RECEIVABLES	8,206,339
ALLOWANCES	0
INVENTORY	10,199,655
CURRENT ASSETS	33,675,539
PP&E	17,957,665
DEPRECIATION	10,057,557
TOTAL ASSETS	43,310,474
CURRENT LIABILITIES	5,452,890
BONDS	285,873
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	256,975
OTHER SE	36,138,902
TOTAL LIABILITY AND EQUITY	43,310,474
SALES	11,344,294
TOTAL REVENUES	11,344,294
CGS	6,857,626
TOTAL COSTS	6,857,626
OTHER EXPENSES	4,052,015
LOSS PROVISION	0
INTEREST EXPENSE	7,546
INCOME PRETAX	722,388
INCOME TAX	223,945
INCOME CONTINUING	498,443
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	498,443
EPS PRIMARY	.10
EPS DILUTED	.10

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