

ASTRO MED INC /NEW/  
Form 10-Q  
May 29, 2015  
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**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 May 2, 2015**

**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**  
**(State or other jurisdiction of**

**05-0318215**  
**(I.R.S. Employer**

**incorporation or organization)**

**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 by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) 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 7,307,255 shares**

**(excluding treasury shares) as of May 22, 2015**



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ASTRO-MED, INC.

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**Table of Contents****Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****ASTRO-MED, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, Except Share Data)**

	<b>May 2, 2015 (Unaudited)</b>	<b>January 31, 2015</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 8,815	\$ 7,958
Securities Available for Sale	15,837	15,174
Accounts Receivable, net	14,012	14,107
Inventories	14,488	15,582
Deferred Tax Assets	2,640	2,629
Restricted Cash	600	
Line of Credit Receivable	170	173
Note Receivable	250	255
Asset Held for Sale	1,900	1,900
Prepaid Expenses and Other Current Assets	3,652	4,140
Total Current Assets	62,364	61,918
<b>PROPERTY, PLANT AND EQUIPMENT</b>	37,501	36,823
Less Accumulated Depreciation	(28,823)	(28,444)
Property, Plant and Equipment, net	8,678	8,379
<b>OTHER ASSETS</b>		
Note Receivable	131	256
Intangible Assets, net	2,609	2,698
Goodwill	991	991
Other	104	88
Total Other Assets	3,835	4,033
<b>TOTAL ASSETS</b>	<b>\$ 74,877</b>	<b>\$ 74,330</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,065	\$ 3,155
Accrued Compensation	2,426	3,302

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Other Liabilities and Accrued Expenses	2,143	2,343
Deferred Revenue	546	621
Income Taxes Payable	59	148
<b>Total Current Liabilities</b>	<b>9,239</b>	<b>9,569</b>
Deferred Tax Liabilities	105	83
Other Long Term Liabilities	1,052	1,167
<b>TOTAL LIABILITIES</b>	<b>10,396</b>	<b>10,819</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock, \$0.05 Par Value, Authorized 13,000,000 shares; Issued 9,593,005 shares and 9,544,864 shares at May 2, 2015 and January 31, 2015, respectively	478	477
Additional Paid-in Capital	43,869	43,589
Retained Earnings	40,434	39,735
Treasury Stock, at Cost, 2,293,606 shares at May 2, 2015 and January 31, 2015	(19,591)	(19,591)
Accumulated Other Comprehensive Income (Loss)	(709)	(699)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>64,481</b>	<b>63,511</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 74,877</b>	<b>\$ 74,330</b>

See Notes to condensed consolidated financial statements (unaudited).

**Table of Contents****ASTRO-MED, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(In thousands, Except Per Share Data)****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>May 2, 2015</b>	<b>May 3, 2014</b>
Net Sales	\$ 22,206	\$ 20,774
Cost of Sales	13,176	12,139
Gross Profit	9,030	8,635
Operating Expenses:		
Selling and Marketing	4,329	4,374
Research and Development	1,796	1,371
General and Administrative	1,457	1,191
Operating Expenses	7,582	6,936
Operating Income, net	1,448	1,699
Other Income (Expense)	234	(121)
Income before Income Taxes	1,682	1,578
Income Tax Provision	471	449
Net Income	\$ 1,211	\$ 1,129
Net Income Per Common Share Basic	\$ 0.17	\$ 0.15
Net Income Per Common Share Diluted	\$ 0.16	\$ 0.14
Weighted Average Number of Common Shares Outstanding:		
Basic	7,280	7,601
Diluted	7,454	7,848
Dividends Declared Per Common Share	\$ 0.07	\$ 0.07

See Notes to condensed consolidated financial statements (unaudited).

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**ASTRO-MED, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In Thousands)**

**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>May 2, 2015</b>	<b>May 3, 2014</b>
Net Income	\$ 1,211	\$ 1,129
Other Comprehensive Income (Loss), Net of Taxes and Reclassification Adjustments:		
Foreign Currency Translation Adjustments	8	92
Unrealized Holding Gain (Loss) on Securities Available for Sale	(18)	(3)
Other Comprehensive Income (Loss)	(10)	89
Comprehensive Income	\$ 1,201	\$ 1,218

See Notes to condensed consolidated financial statements (unaudited).



**Table of Contents****ASTRO-MED, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands)****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>May 2, 2015</b>	<b>May 3, 2014</b>
Cash Flows from Operating Activities:		
Net Income	\$ 1,211	\$ 1,129
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	455	512
Share-Based Compensation	143	131
Deferred Income Tax Provision	10	59
Changes in Assets and Liabilities:		
Accounts Receivable	95	(166)
Inventories	1,094	(1,003)
Income Taxes	268	(731)
Accounts Payable and Accrued Expenses	(397)	(1,691)
Other	93	(735)
Net Cash Provided (Used) by Operating Activities	2,972	(2,495)
Cash Flows from Investing Activities:		
Proceeds from Sales/Maturities of Securities Available for Sale	2,435	2,880
Purchases of Securities Available for Sale	(3,127)	(2,574)
Restricted Cash	(600)	
Release of Funds Held in Escrow From Sale of Grass		1,800
Proceeds Received on Disposition of Grass Inventory		2,355
Payments Received on Line of Credit and Note Receivable	125	
Additions to Property, Plant and Equipment	(654)	(292)
Net Cash Provided (Used) by Investing Activities	(1,821)	4,169
Cash Flows from Financing Activities:		
Proceeds from Common Shares Issued Under Employee Benefit Plans and Employee Stock Option Plans, Net of Payment of Minimum Tax Withholdings	137	658
Dividends Paid	(510)	(533)
Net Cash Provided (Used) by Financing Activities	(373)	125
Effect of Exchange Rate Changes on Cash and Cash Equivalents	79	(91)
Net Increase in Cash and Cash Equivalents	857	1,799

Cash and Cash Equivalents, Beginning of Period	7,958	8,341
Cash and Cash Equivalents, End of Period	\$ 8,815	\$ 10,140
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for Income Taxes, Net of Refunds	\$ 207	\$ 1,471
See Notes to condensed consolidated financial statements (unaudited).		

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**ASTRO-MED, INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**(1) Overview**

Headquartered in West Warwick, Rhode Island, Astro-Med Inc. designs, develops, manufactures and distributes a broad range of specialty printers and data acquisition and analysis systems. Our products are distributed through our own sales force and authorized dealers in the United States. We also sell to customers outside of the United States primarily through our Company offices in Canada, Europe and Southeast Asia as well as with independent dealers and representatives. Astro-Med, Inc. products are sold under the brand names Astro-Med<sup>®</sup> Test & Measurement and QuickLabel<sup>®</sup> Systems and are employed around the world in a wide range of aerospace, apparel, automotive, avionics, chemical, computer peripherals, communications, distribution, food and beverage, general manufacturing, packaging and transportation applications.

Unless otherwise indicated, references to Astro-Med, the Company, we, our, and us in this Quarterly Report on Form 10-Q refer to Astro-Med, Inc. and its consolidated subsidiaries.

**(2) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods included herein. 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 fiscal year ended January 31, 2015.

Results of operations for the interim periods presented herein are not necessarily indicative of the results that may be expected for the full year.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the condensed consolidated financial statements and accompanying notes. Some of the more significant estimates relate to the allowances for doubtful accounts and credits, inventory valuation, impairment of long-lived assets and goodwill, income taxes, share-based compensation, accrued expenses and warranty reserves. Management's estimates are based on the facts and circumstances available at the time estimates are made, past historical experience, risk of loss, general economic conditions and trends, and management's assessments of the probable future outcome of these matters. Consequently, actual results could differ from those estimates.

Certain amounts in prior year's financial statements have been reclassified to conform to the current year's presentation.

**(3) Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

**(4) Net Income Per Common Share**

Basic net income per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of shares and, if dilutive, common equivalent shares for stock options and restricted stock units outstanding during the period. A reconciliation of the shares used in calculating basic and diluted net income per share is as follows:

		<b>Three Months Ended</b>	
		<b>May 2, 2015</b>	<b>May 3, 2014</b>
Weighted Average Common Shares Outstanding	Basic	7,280,246	7,600,780
Effect of Dilutive Options and Restricted Stock Units		173,936	247,520
Weighted Average Common Shares Outstanding	Diluted	7,454,182	7,848,300

For the three months ended May 2, 2015 and May 3, 2014 the diluted per share amounts do not reflect common equivalent shares outstanding of 76,200 and 75,600, respectively, because their effect would have been anti-dilutive, as the exercise price was greater than the average market price of the underlying stock during the period presented.

## (5) Intangible Assets

Intangible assets are as follows:

	<b>May 2, 2015</b>			<b>January 31, 2015</b>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
(\$ In thousands)						
Intangible assets subject to amortization:						
Customer Contract Relationships	\$ 3,100	\$ (491)	\$ 2,609	\$ 3,100	\$ (402)	\$ 2,698
Backlog	300	(300)		300	(300)	
Intangible assets, net	\$ 3,400	\$ (791)	\$ 2,609	\$ 3,400	\$ (702)	\$ 2,698

There were no impairments to intangible assets during the periods ended May 2, 2015 and May 3, 2014. Amortization expense of \$89,000 and \$175,000 in regards to the above acquired intangibles has been included in the condensed consolidated statements of income for the periods ended May 2, 2015 and May 3, 2014, respectively.

Estimated amortization expense for the next five years is as follows:

	<b>Remainder of</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
(In thousands)					
Estimated amortization expenses	\$ 268	\$ 349	\$ 331	\$ 278	\$ 278

**Table of Contents****(6) Share-Based Compensation**

Astro-Med has one equity incentive plan (the Plan) under which incentive stock options, non-qualified stock options, restricted stock units (RSUs), restricted stock awards (RSAs) and other equity based awards may be granted to directors, officers and certain employees. An aggregate of 1,000,000 shares were authorized for awards under the Plan. At May 2, 2015, 124,302 shares were available for grant under the Plan. Options granted to employees vest over four years. The exercise price of each stock option will be established at the discretion of the Compensation Committee; however, any incentive stock options granted must be at an exercise price of not less than fair market value at the date of grant. In fiscal year 2013, a portion of the Company's executive's long-term incentive compensation was awarded in the form of RSUs (2013 RSUs). The 2013 RSUs were earned based on the Company achieving specific thresholds of net sales and annual operating income as established under the fiscal 2013 Domestic Management Bonus Plan and vested fifty percent on the first anniversary of the grant date and fifty percent on the second anniversary of the grant date provided that the grantee was employed on each vesting date by Astro-Med or an affiliate company. All such 2013 RSUs were earned and vested as of March 2014. In April 2013, the Company granted options and RSUs to officers (2014 RSUs). Each 2014 RSU will be earned and vest as follows: twenty-five percent of the 2014 RSU vests on the third anniversary of the grant date, fifty percent of the 2014 RSU vests upon the Company achieving its cumulative budgeted net sales target for fiscal years 2014 through 2016 (the Measurement Period), and twenty-five percent of the total 2014 RSU vests upon the Company's achieving a target average annual ORONA (operating income return on net assets as calculated under the Domestic Management Bonus Plan) for the Measurement Period. The grantee may not sell, transfer or otherwise dispose of more than fifty percent of the common stock issued upon vesting of the RSU until the first anniversary of the vesting date. On February 1, 2014, the Company accelerated the vesting of 4,166 of the RSUs held by Everett Pizzuti in connection with his retirement. None of the remaining 2014 RSUs, have vested as of May 2, 2015.

The Plan provides for an automatic annual grant of ten-year options to purchase 5,000 shares of stock to each non-employee director upon the adjournment of each shareholders' meeting. Each such option is exercisable at the fair market value as of the grant date and vests immediately prior to the next succeeding shareholders' meeting. In addition to the automatic option grant under Plan, the Company has a Non-Employee Director Annual Compensation Program (the Program) which provides that each non-employee director is entitled to an annual cash retainer of \$7,000 (the Annual Cash Retainer), plus \$500 for each Board and committee meeting attended. In addition, effective August 1, 2014, the Chairman of the Board also receives an annual retainer of \$6,000 and the Chair of the Audit Committee and Compensation Committee each receive an annual retainer of \$4,000 each (Chair Retainer). The non-employee director may elect for any fiscal year to receive all or a portion of the Annual Cash Retainer and/or Chair Retainer (collectively the Cash Retainer) in the form of common stock of the Company, which will be issued under the Plan. If a non-employee director elects to receive all or a portion of the Cash Retainer in the form of common stock, such shares shall be issued in four quarterly installments on the first day of each fiscal quarter, and the number of shares of common stock to be issued shall be based on the fair market value of such common stock on the date such installment is payable. The common stock received in lieu of such Cash Retainer will be fully vested. However, a non-employee director who receives common stock in lieu of all or a portion of the Cash Retainer may not sell, transfer, assign, pledge or otherwise encumber the common stock prior to the first anniversary of the date on which such shares were issuable. In the event of the death or disability of a nonemployee director, or a change in control of the Company, any shares of common stock issued in lieu of such Cash Retainer, shall no longer be subject to such restrictions on transfer.

In addition, under the Program, each non-employee director receives RSAs with a value equal to \$20,000 (the Equity Retainer) upon adjournment of each annual shareholders meeting. If a non-employee director is first appointed or elected to the Board of Directors effective on a date other than at the annual shareholders meeting, on the date of such appointment or election, the director shall receive a pro rata award of restricted common stock having a value based

on the number of days remaining until the next annual meeting. The Equity Retainer will vest on the earlier of 12 months after the grant date or the date immediately prior to the next annual meeting of the shareholders following the meeting at which such RSAs were granted. However, a non-employee director may not sell, transfer, assign, pledge or otherwise encumber the vested common stock prior to the second anniversary of the vesting date. In the event of the death or disability of a non-employee director, or a change in control of the Company, the RSAs shall immediately vest and shall no longer be subject to such restrictions on transfer.

We account for compensation cost related to share-based payments based on fair value of the stock options, RSUs and RSAs when awarded to an employee or director. We have estimated the fair value of each option on the date of grant using the Black-Scholes

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option-pricing model. Our estimate requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), the risk-free interest rate and the Company's dividend yield. The stock price volatility assumption is based on the historical weekly price data of our common stock over a period equivalent to the weighted average expected life of our options. Management evaluated whether there were factors during that period which were unusual and would distort the volatility figure if used to estimate future volatility and concluded that there were no such factors. In determining the expected life of the option grants, the Company has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant and has assessed the expected risk tolerance of different option groups. The risk-free interest rate is based on the actual U.S. Treasury zero coupon rates for bonds matching the expected term of the option as of the option grant date. The dividend assumption is based upon the prior year's average dividend yield. Reductions in compensation expense associated with the forfeited options are estimated at the date of grant, and this estimated forfeiture rate is adjusted periodically based on actual forfeiture experience. Our accounting for share-based compensation for RSUs and RSAs is also based on the fair value method. The fair value of the RSUs and RSAs is based on the closing market price of the Company's common stock on the grant date of the RSU or RSA.

Share-based compensation expense was recognized as follows:

	<b>Three Months Ended</b>	
	<b>May 2, 2015</b>	<b>May 3, 2014</b>
(In thousands)		
Stock Options	\$ 75	\$ 54
Restricted Stock Awards and Restricted Stock Units	68	77