

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

MESA LABORATORIES INC /CO
Form 10QSB
November 14, 2001

Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

[] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 0-11740

MESA LABORATORIES, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

COLORADO

(State or other Jurisdiction of
Incorporation or Organization)

84-0872291

(I.R.S. Employer
Identification No.)

12100 WEST SIXTH AVENUE, LAKEWOOD, COLORADO

(Address of Principal Executive Offices)

80228

(Zip Code)

Issuer's telephone number, including area code: **(303) 987-8000**

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act, during the past 12 months and (2) has been subject to the filing requirements for the past 90 days. Yes X No ____.

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

There were 3,376,260 shares of the Issuer's common stock, no par value, outstanding as of September 30, 2001.

ITEM 1. FINANCIAL STATEMENTS

FORM 10-QSB

MESA LABORATORIES, INC.
BALANCE SHEETS
(UNAUDITED)

ASSETS

SEPTEMBER 30, 2001

MARCH 31, 2001

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

| | | |
|--|--------------|--------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 2,294,614 | \$ 2,316,769 |
| Accounts Receivable, Net | 2,785,877 | 3,286,337 |
| Inventories | 2,464,425 | 2,402,847 |
| Prepaid Expenses | 126,665 | 133,408 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 7,671,581 | 8,139,361 |
| PROPERTY, PLANT & EQUIPMENT, NET | 1,419,490 | 1,471,662 |
| OTHER ASSETS | | |
| Long-term Receivable | 462,000 | - |
| Intangible Assets, Net | 4,207,942 | 4,207,942 |
| | ----- | ----- |
| TOTAL ASSETS | \$13,761,013 | \$13,818,965 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| ----- | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 53,289 | \$ 353,519 |
| Accrued Salaries & Payroll Taxes | 285,995 | 267,964 |
| Other Accrued Expenses | 90,380 | 108,771 |
| Taxes Payable | 68,773 | 130,461 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 498,437 | 860,715 |
| LONG TERM LIABILITIES | | |
| Deferred Income Taxes Payable | 25,292 | 25,292 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, No Par Value | - | - |
| Common Stock, No Par Value; authorized 8,000,000 shares; issued and outstanding, 3,376,260 shares (9/30/01) and 3,542,160 shares (3/31/01) | 1,872,977 | 2,165,549 |
| Retained Earnings | 11,364,307 | 10,767,409 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 13,237,284 | 12,932,958 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$13,761,013 | \$13,818,965 |
| | ===== | ===== |

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

| | |
|----------------|----------------|
| Three Months | Three Months |
| Ended | Ended |
| Sept. 30, 2001 | Sept. 30, 2000 |

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

| | | |
|---|-------------|-------------|
| Sales | \$2,668,994 | \$2,345,519 |
| Cost of Goods Sold | 1,042,302 | 887,072 |
| Selling, General & Administrative | 599,239 | 603,292 |
| Research and Development | 57,834 | 65,076 |
| Other (Income) and Expenses | (21,498) | (39,524) |
| | 1,677,877 | 1,515,916 |
| Earnings Before Income Taxes | 991,117 | 829,603 |
| Income Taxes | 341,000 | 303,000 |
| Net Income | \$ 650,117 | \$ 526,603 |
| Reported Net Income | \$ 650,117 | \$ 526,603 |
| Add Back: Goodwill Amortization | - | 65,667 |
| Add Back: Trademark Amortization | - | 24,225 |
| Adjusted Net Income | \$ 650,117 | \$ 616,495 |
| Basic Earnings Per Share: | | |
| Reported Net Income | \$.19 | \$.14 |
| Goodwill Amortization | - | .02 |
| Trademark Amortization | - | .01 |
| Adjusted Net Income Per Share (Basic) | \$.19 | \$.17 |
| Diluted Earnings Per Share: | | |
| Reported Net Income | \$.19 | \$.14 |
| Goodwill Amortization | - | .02 |
| Trademark Amortization | - | .00 |
| Adjusted Net Income Per Share (Diluted) | \$.19 | \$.16 |
| Average Common Shares Outstanding (Basic) | 3,433,000 | 3,724,000 |
| Average Common Shares Outstanding (Diluted) | 3,446,000 | 3,762,000 |

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

Six Months
 Ended

Six Months
 Ended

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

| | Sept. 30, 2001 ----- | Sept. 30, 2000 ----- |
|---|-------------------------|-------------------------|
| Sales | \$4,728,648 ----- | \$4,606,516 ----- |
| Cost of Goods Sold | 1,836,165 | 1,706,463 |
| Selling, General & Administrative | 1,162,641 | 1,268,843 |
| Research and Development | 156,648 | 125,747 |
| Other (Income) and Expenses | (45,336) ----- | (71,443) ----- |
| | 3,110,118 ----- | 3,029,610 ----- |
| Earnings Before Income Taxes | 1,618,530 | 1,576,906 |
| Income Taxes | 514,822 ----- | 547,693 ----- |
| Net Income | \$1,103,708 ===== | \$1,029,213 ===== |
| Reported Net Income | \$1,103,708 | \$1,029,213 |
| Add Back: Goodwill Amortization | - | 131,334 |
| Add Back: Trademark Amortization | - | 48,450 ----- |
| Adjusted Net Income | \$1,103,708 ===== | \$1,208,997 ===== |
| Basic Earnings Per Share: | | |
| Reported Net Income | \$.32 | \$.27 |
| Goodwill Amortization | - | .04 |
| Trademark Amortization | - | .01 ----- |
| Adjusted Net Income Per Share (Basic) | \$.32 ===== | \$.32 ===== |
| Diluted Earnings Per Share: | | |
| Reported Net Income | \$.32 | \$.27 |
| Goodwill Amortization | - | .04 |
| Trademark Amortization | - | .01 ----- |
| Adjusted Net Income Per Share (Diluted) | \$.32 ===== | \$.32 ===== |
| Average Common Shares Outstanding (Basic) | 3,469,000 ===== | 3,747,000 ===== |
| Average Common Shares Outstanding (Diluted) | 3,490,000 ===== | 3,774,000 ===== |

MESA LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

| Six Months Ended Sept. 30, 2001 | Six Months Ended Sept. 30, 2000 |
|---------------------------------------|---------------------------------------|
|---------------------------------------|---------------------------------------|

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

| | | |
|--|-------------|-------------|
| Cash Flows From Operating Activities: | | |
| Net Income | \$1,103,708 | \$1,029,213 |
| Depreciation and Amortization | 58,371 | 260,068 |
| Change in Assets and Liabilities- | | |
| (Increase) Decrease in Accounts Receivable | 38,460 | (381,897) |
| (Increase) Decrease in Inventories | (61,578) | (166,935) |
| (Increase) Decrease in Prepaid Expenses | 6,743 | 10,927 |
| Increase (Decrease) in Accounts Payable | (300,230) | (72,831) |
| Increase (Decrease) in Accrued Liabilities | (62,048) | (137,942) |
| | ----- | ----- |
| Net Cash (Used) Provided by Operating Activities | 783,426 | 540,603 |
| | ----- | ----- |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures, Net of Retirements | (6,199) | (26,812) |
| | ----- | ----- |
| Net Cash (Used) Provided by Investing Activities | (6,199) | (26,812) |
| | ----- | ----- |
| Cash Flows From Financing Activities: | | |
| Treasury Stock Purchases | (799,385) | (604,081) |
| Proceeds From Stock Options Exercised | 3 | 13,943 |
| | ----- | ----- |
| Net Cash (Used) Provided by Financing Activities | (799,382) | (590,138) |
| | ----- | ----- |
| Net Increase (Decrease) In Cash and Equivalents | (22,155) | (76,347) |
| | ----- | ----- |
| Cash and Cash Equivalents at Beginning of Period | 2,316,769 | 2,849,709 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$2,294,614 | \$2,773,362 |
| | ===== | ===== |

MESA LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 AND 2000

NOTE A. SUMMARY OF ACCOUNTING POLICIES

The summary of the Issuer's significant accounting policies are incorporated by reference to the Company's annual report on Form 10KSB, at March 31, 2001.

The accompanying unaudited condensed financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations, financial position and cash flows. The results of the interim period are not necessarily indicative of the results for the full year.

NOTE B. GOODWILL

In June 2001 The Financial Accounting Standards Board issued Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." These Statements establish accounting and reporting

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

standards for business combinations and goodwill and other intangible assets, respectively. The Company has adopted these statements as of April 1, 2001. As allowed under FASB No. 141, the Company has elected to reclassify to goodwill certain recognized intangible assets that do not meet the criteria for recognition apart from goodwill. The company has also adopted FASB No. 142, which no longer allows for amortization of goodwill. Goodwill will be tested for impairment at the time of adoption and on an annual basis.

The changes in the carrying amount of goodwill as of September 30, 2001, are as follows:

| | Automata Instruments | Other Acquisitions | Total |
|-----------------------------------|-------------------------|-----------------------|-------------|
| Balance March 31, 2001 | \$3,588,121 | \$619,821 | \$4,207,942 |
| Goodwill acquired during the year | - | - | - |
| Impairment losses | - | - | - |
| Balance September 30, 2001 | \$3,588,121 | \$619,821 | \$4,207,942 |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2001, the Company had cash and short term investments of \$2,294,614. In addition, the Company had other current assets totaling \$5,376,967 and total current assets of \$7,671,581. Current liabilities of Mesa Laboratories, Inc. were \$498,437 which resulted in a current ratio of 15.4:1.

The Company has made net capital asset purchases of \$6,199 for the fiscal year-to-date.

The Company has instituted a program to repurchase up to 500,000 shares of its outstanding common stock. Under the plan, the shares may be purchased from time to time in the open market at prevailing prices or in negotiated transactions off the market. Shares purchased will be canceled and repurchases will be made with existing cash reserves.

RESULTS OF OPERATIONS

REVENUE

Net sales for the six months ended September 30, 2001 increased \$122,132 or 3% to \$4,728,648 from the \$4,606,516 net sales level achieved for the same six month period last year. Net sales for the quarter increased \$323,475 or 14% to \$2,668,994 from the \$2,345,519 net sales level achieved in the same quarter last year. Net sales for both the quarter and six month period were favorably impacted by higher shipments of the Echo Dialyzer Reprocessing System, which raised medical product sales for the first six months by over 20 percent. A portion of the Echo Dialyzer Reprocessing systems shipped during the last quarter were sold under terms which allow periodic payments over the next fifty-four months. Under current accounting rules, all revenue for these shipments was recognized at the time of shipment and a long-term receivable was recognized. Datatrace logging products produced a small decrease for the periods with the products producing two and four percent decreases from last year's quarter and six month periods, respectively.

COST OF GOODS SOLD

Cost of goods sold for the first six months as a percent of net sales was 39% which represents a 2% increase from the 37% level for the same six month period last year. Cost of goods sold for the current quarter as a percent of net sales was 39%, representing a 1% increase compared to the 38% level in the same quarter last year. The increase realized during the second quarter and first six months of fiscal 2002

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

was attributable to changing mix of products sold due to an increase in sales of medical products in comparison to sales of the Company's logging products.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first six months decreased 8% or \$106,202 to \$1,162,641 from \$1,268,843 in the same period last year. For the current quarter, selling, general and administrative expenses totaled \$599,239, which was down 1% or \$4,053 from \$603,292 expended in the same quarter last year. Marketing expenses accounted for an overall 12% increase with Medical marketing expenses gaining over 34% from the prior year while Datatrace marketing expenses increased 9%. The increase in marketing expenses for medical products was due chiefly to increased compensation and bad debt levels. Datatrace costs increased compared to last year due to higher bad debt costs. Administration costs for the first six months decreased 27% due to decreased amortization expense due to application of newly adopted accounting standards.

RESEARCH AND DEVELOPMENT

Research and development for the first six months increased to \$156,648 from \$125,747 which represents a 25% increase from the same period last year. Research and development for the quarter was \$57,834, which represents a decrease of \$7,242 or 11% from the \$65,076 level expensed in the same quarter last year. Research and development costs for the six month period increased due to higher consulting costs for two on-going software upgrade projects and higher material costs for prototype development of the next generation of Datatrace logging instruments.

NET INCOME

Net income for the six months ended September 30, 2001 increased 7% to \$1,103,708 or \$.32 per share from \$1,029,213 or \$.27 per share last year. Net income for the quarter was \$650,117 or \$.19 per share compared to net income of \$526,603 or \$.14 per share last year. The increase in net income compared to last year was due chiefly to increased sales and elimination of goodwill amortization due to the application of newly adopted accounting standards.

PART II-OTHER INFORMATION

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MESA LABORATORIES, INC.
(Issuer)

DATED: November 13, 2001

BY: _____
Luke R. Schmieder
President, Chief Executive Officer,
Treasurer and Director

DATED: November 13, 2001

BY: _____

Edgar Filing: MESA LABORATORIES INC /CO - Form 10QSB

Steven W. Peterson
Vice President-Finance, Chief
Financial and Accounting Officer and
Secretary