

Edgar Filing: ADVANCED PHOTONIX INC - Form 10QSB

ADVANCED PHOTONIX INC
Form 10QSB
August 07, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 24, 2001

OR

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

Commission file no. 1-11056

ADVANCED PHOTONIX, INC.

Incorporated pursuant to the Laws of Delaware

IRS Employer Identification No. 33-0325826

1240 Avenida Acaso, Camarillo, CA 93012

(805) 987-0146

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

On August 6, 2001, 12,207,648 shares of Class A Common Stock, \$.001 par value, and 31,691 shares of Class B Common Stock, \$.001 par value, were outstanding.

ADVANCED PHOTONIX, INC.

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ADVANCED PHOTONIX, INC.

BALANCE SHEET
AT JUNE 24, 2001
(UNAUDITED)

CURRENT ASSETS	
Cash and cash equivalents	\$ 4,
Accounts receivable, less allowance of \$6,000	1,
Inventories	2,
Prepaid acquisition costs	
Prepaid expenses and other current assets	
Total Current Assets	8,

EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost	3,
Less accumulated depreciation and amortization	(2,
Equipment and Leasehold Improvements, net	

OTHER ASSETS	
Goodwill, net of accumulated amortization of \$328,000	
Patents, net of accumulated amortization of \$38,000	
Other	
Total Other Assets	

TOTAL ASSETS	\$ 9,

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ADVANCED PHOTONIX, INC.

BALANCE SHEET - Continued
 AT JUNE 24, 2001
 (UNAUDITED)

 LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$
Accrued expenses:	
Salaries and employee benefits	
Other	
 Total Current Liabilities	 ----- -----

COMMITMENTS AND CONTINGENCIES

Class A redeemable convertible preferred stock, \$.001 par value;
 780,000 shares authorized; 40,000 shares issued and outstanding

SHAREHOLDERS' EQUITY

Preferred stock, \$.001 par value; 10,000,000 shares authorized; 780,000 shares designated Class A redeemable convertible; no shares issued and outstanding	
Class A common stock, \$.001 par value; 50,000,000 shares authorized; 12,207,648 shares issued and outstanding	
Class B common stock, \$.001 par value; 4,420,113 shares authorized; 31,691 shares issued and outstanding	
Additional paid-in capital	26,
Accumulated Deficit	(17,
 Total Shareholders' Equity	 ----- 9,

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,
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See notes to financial statements.

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ADVANCED PHOTONIX, INC.

STATEMENTS OF OPERATIONS
 (UNAUDITED)

For the three month periods ended	June 24, 2001	June 25, 2000
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SALES	\$ 1,831,000	\$ 1,662,000
Cost of Goods Sold	918,000	961,000
GROSS PROFIT	913,000	701,000
Research and development expenses	130,000	109,000
Sales and marketing expenses	256,000	226,000
General and administrative expenses	261,000	246,000
INCOME FROM OPERATIONS	266,000	120,000
OTHER INCOME		
Interest income	89,000	74,000
NET INCOME	\$ 355,000	\$ 194,000
Basic and Diluted Earnings Per Share	\$ 0.03	\$ 0.02
Weighted Average Shares Outstanding	12,239,000	12,167,000

See notes to financial statements.

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ADVANCED PHOTONIX, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the three month periods ended	June 24, 2001
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ 355,000
Adjustments to reconcile net income to net cash provided by (used by) operating activities:	
Depreciation	54,000
Amortization	10,000
Changes in assets and liabilities:	
Short-term investments	1,082,000
Accounts receivable	124,000
Inventories	(492,000)
Prepaid expenses and other current assets	40,000
Other assets	(1,000)
Accounts payable and accrued expenses	(4,000)

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Net cash provided by (used by) operating activities	1,168,000
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CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(135,000)
Prepaid acquisition costs	(18,000)
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Net cash used by investing activities	(153,000)
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CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from exercise of stock options	--
<hr style="border-top: 1px dashed black;"/>	
Net cash provided by financing activities	--
<hr style="border-top: 1px dashed black;"/>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,015,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,907,000
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,922,000
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See notes to financial statements.

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ADVANCED PHOTONIX, INC.
NOTES TO FINANCIAL STATEMENTS
June 24, 2001
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X and Regulation S-B. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. Operating results for the three month period ended June 24, 2001, are not necessarily indicative of the results that may be expected for the fiscal year ending March 24, 2002. For further information, refer to the financial statements and notes thereto included in the Advanced Photonix, Inc. Annual Report on Form 10-KSB for the fiscal year ended March 25, 2001.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Income (Loss) Per Share: Net income (loss) per share is based on the weighted average number of common shares outstanding. Such weighted average shares were approximately 12,239,000 at June 24, 2001 and 12,167,000 at June 25, 2000. Net income (loss) per share calculations are in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" (SFAS 128). Accordingly, "basic" net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding for the year. "Diluted" net income (loss) per share has not been presented in the financial statements as the impact is either not material or anti-dilutive. The

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impact of Statement 128 on the calculation of earnings per share is as follows:

	Three Months Ended June 24, 2001
BASIC	

Average Shares Outstanding	12,239,000
Net Income	355,000
Basic Earnings Per Share	\$ 0.03
DILUTED	

Average Shares Outstanding	12,239,000
Net Effect of Dilutive Stock Options based on the treasury stock method using average market price	66,500
Total Shares	12,305,500
Net Income	355,000
Diluted Earnings Per Share	\$ 0.03
Average Market Price of Common Stock	\$ 0.986
Ending Market Price of Common Stock	\$ 0.920

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NOTE 2 - Continued

The following stock options granted to Company employees, directors, and former owners were excluded from the calculation of earnings per share in the financial statements because they were either anti-dilutive or immaterial for the periods reported:

No. of Shares Underlying Options	Exercise Price Per Share
-----	-----
8,000	.5000
92,000	.5630
500	.6250
3,000	.6875
92,000	.7500
50,000	1.0000
13,300	1.1875
65,200	1.2500
4,000	1.5000
2,000	1.6250
44,000	1.8750
43,100	2.5000
4,000	3.0000
500	3.0940
400,000	3.1875
25,000	5.3440
-----	-----
846,600	
=====	=====

Inventories: Inventories consist of the following:

June 24, 2001

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Raw materials	\$ 739,000
Work in progress	1,160,000
Finished products	320,000

	\$ 2,219,000
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Item 2. Management's Discussion and Analysis

RESULTS OF OPERATIONS

NET PRODUCT SALES

Net product sales for the first quarter of fiscal year 2002 ("Q1 02") were \$1,831,000, an increase of \$169,000 or 10% from revenues of \$1,662,000 for the first quarter of fiscal year 2001 ("Q1 01").

Compared to Q1 01, the increase in net revenues for the period was primarily due to increased sales to companies in the medical equipment and medical imaging markets, which were partially offset by a reduction in sales to the automotive electronic market. In recent years, sales to the medical markets have steadily increased, due to continuous improvements made by medical equipment manufacturers in technology and design, resulting in increased demand for the Company's products in those markets. Sales to the medical markets in Q1 02 represented 21% of total net sales, as compared to 6% in Q1 01. In addition, sales to the military and aerospace markets remained strong for Q1 02, comprising 31% of total net sales for the period, as compared to 33% for the same period of the prior year. While the Company continues to anticipate increasing volume from sales of its proprietary LAAPD products as markets begin to implement more sophisticated technology, it expects more rapid growth to be seen in the sales of its commercial and core product lines during the remainder of fiscal year 2002 and expects that the overall current growth rate is indicative of what can be expected for the remainder of the year.

COSTS AND EXPENSES

Cost of product sales decreased by \$43,000 in Q1 02 compared to Q1 01. As a result of increased revenues, cost of product sales as a percentage of net sales decreased by 8% and gross profit margin on net product sales increased 8 percentage points to 50% as compared to 42% in Q1 01. The increase in gross margin for the quarter is primarily attributable to higher margins associated with the current product mix and to improved efficiencies associated with higher sales volume. In addition, the Company has implemented several cost cutting measures in its continuing efforts to streamline the manufacturing process and to reduce production overhead, accounting for approximately 39% of the cost savings. Due to the variability in product mix, it is expected that cost of product sales as a percentage of net sales will increase slightly during the remainder of the year, thus causing a slight reduction in overall gross margin as a percentage of net sales.

Research and development costs increased by \$21,000 (19%) to \$130,000 in Q1 02 as compared to Q1 01. The increase in R&D costs is primarily due to variable expenditures associated with current development projects, including the continual improvement of the Company's current line of LAAPD and core business products. As they have in the past, R&D costs may continue to vary significantly, due to the level of activity associated with development contracts as well as the number and complexity of new process and product

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development projects, the qualification of new process developments and customer evaluation and acceptance of new products.

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Marketing and sales expenses increased by \$30,000 (13%) to \$256,000 in Q1 02 as compared to Q1 01. The Company expects continued increases in its marketing and sales expenses for the remainder of the year, as a new Director of Sales was hired in April 2001 and higher commission expenses are anticipated as a result of increased sales.

General and administrative expenses increased slightly (6%) to \$261,000 in Q1 02 as compared to \$246,000 in Q1 01. The Company anticipates general and administrative expenses will continue to increase during the remainder of the year, due to projected increases in employee benefit and utility costs.

Interest income in Q1 02 was \$89,000, or \$15,000 higher than the \$74,000 reported in Q1 01. The increase in interest income was due primarily to the sale of corporate bonds which were held at year end, resulting in the recognition of \$29,000 in interest income previously recorded as unrealized gain on investments. This amount was partially offset by lower income resulting from lower interest rates available during the current quarter, as compared to the prior year.

Net income for Q1 02 was \$355,000, an increase of \$161,000 or 83%, over \$194,000 reported in Q1 01.

FINANCIAL CONDITION

At June 24, 2001, the Company had cash and cash equivalents of \$4.9 million, no short-term investments, and working capital of \$8.2 million. Due to declining interest rates available on securities available to the Company pursuant to its investment policy, the Company held no short-term investments at June 24, 2001. Rather, the Company was able to achieve higher yields on more liquid money market accounts and thus transferred excess available cash to such instruments.

The Company's cash, cash equivalents and short-term investments decreased by \$67,000, including \$29,000 in recognized interest income previously reported as unrealized gain on short term investment, during the three months ended June 24, 2001. Cash of \$57,000 was obtained through operating activities (before cash provided by short-term investments). Operating expenditures were impacted by increases in raw materials and work in process inventories totaling \$492,000, due to several contracts requiring advance expenditures for materials, engineering and production charges which were not scheduled to ship during Q1 02; such orders are scheduled to ship throughout the remainder of the year.

Cash of \$135,000 was used for capital equipment, compared to \$7,000 during the same period of the prior year. Computer hardware and software purchases accounted for \$98,000 of the increase in capital spending; the remainder was due to expenditures required for manufacturing equipment upgrades and replacements. The Company expects that cash outlays for capital items will continue to increase during 2002, as plans to purchase additional machinery and the completion of the computer system upgrades are scheduled throughout the remainder of the year.

Cash of \$18,000 was paid as prepaid acquisition costs, representing additional costs incurred by the Company in connection with the examination of a possible business combination with Jenner Biotherapies, Inc.. The investigation is continuing and the costs incurred in connection with the potential transaction will be expensed if a business combination is not consummated. To date, such prepaid acquisition costs total \$448,000.

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In the past, the Company has maintained a revolving line of credit agreement when needed. Based on current projections and available cash reserves, the Company does not foresee an immediate need for borrowing and has therefore elected to forego the costs for maintaining a line of credit at this time. The Company believes that it would be most efficient to establish a line when the situation warrants.

The Company believes that the moderate rate of inflation over the past few years has not had a significant impact on the Company's sales or operating results.

FORWARD LOOKING STATEMENTS

The information contained herein includes forward looking statements that are based on assumptions that management believes to be reasonable but are subject to inherent uncertainties and risks including, but not limited to, unforeseen technological obstacles which may prevent or slow the development and/or manufacture of new products, limited (or slower than anticipated) customer acceptance of new products which have been and are being developed by the Company (particularly its LAAPD product line), the availability of other competing technologies and a decline in the general demand for optoelectronic products.

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PART II OTHER INFORMATION

Items 1 - 5

None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

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.

Advanced Photonix, Inc.

(Registrant)

Date: August 7, 2000

/s/ Susan A. Schmidt

Susan A. Schmidt
Chief Financial Officer and Secretary

