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MESA LABORATORIES INC /CO
Form 10QSB
August 09, 2001

Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

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

For the quarterly period ended June 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

84-0872291

(State or other Jurisdiction of
Incorporation or Organization)
Identification No.)

(I.R.S. Employer

12100 WEST SIXTH AVENUE, LAKEWOOD, COLORADO

80228

(Address of Principal Executive Offices)

(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 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 3,472,560 shares of the Issuer's common stock, no par value, outstanding as of June 30, 2001.

ITEM 1. FINANCIAL STATEMENTS

FORM 10-QSB

MESA LABORATORIES, INC.

BALANCE SHEETS

(UNAUDITED)

ASSETS

JUNE 30, 2001 MARCH 31, 2001

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| | | |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 2,207,892 | \$ 2,316,769 |
| Accounts Receivable, Net | 2,866,303 | 3,286,337 |
| Inventories | 2,556,899 | 2,402,847 |
| Prepaid Expenses and Other Assets..... | 211,680 | 133,408 |
| TOTAL CURRENT ASSETS | 7,842,774 | 8,139,361 |
| PROPERTY, PLANT AND EQUIPMENT, NET . | 1,446,383 | 1,471,662 |
| OTHER ASSETS | | |
| Intangible Assets, Net | 4,207,942 | 4,207,942 |
| TOTAL ASSETS | \$13,497,099 | \$13,818,965 |
| ===== | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 55,523 | \$ 353,519 |
| Accrued Salaries and Payroll Taxes | 260,353 | 267,964 |
| Other Accrued Expenses | 106,003 | 108,771 |
| Taxes Payable | 16,377 | 130,461 |
| TOTAL CURRENT LIABILITIES | 438,256 | 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, 3,472,560 shares (6/30/01) and 3,542,160 shares (3/31/01) | 2,036,353 | 2,165,549 |
| Retained Earnings | 10,997,198 | 10,767,409 |
| TOTAL STOCKHOLDERS' EQUITY | 13,033,551 | 12,932,958 |
| ===== | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$13,497,099 | \$13,818,965 |
| ===== | | |

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

FORM 10-QSB

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

Three Months Ended Three Months Ended
June 30, 2001 June 30, 2000

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| | | |
|---|--------------|--------------|
| Sales | \$ 2,059,654 | \$ 2,260,997 |
| | ----- | ----- |
| Cost of Goods Sold | 793,863 | 819,391 |
| Selling, General and Administrative | 563,402 | 665,551 |
| Research and Development | 98,814 | 60,671 |
| Other (Income) and Expenses | (23,838) | (31,919) |
| | ----- | ----- |
| | 1,432,241 | 1,513,694 |
| | ----- | ----- |
| Earnings Before Income Taxes | 627,413 | 747,303 |
| Income Taxes | 173,822 | 244,693 |
| | ----- | ----- |
| Net Income | \$ 453,591 | \$ 502,610 |
| | ===== | ===== |
| | | |
| Reported Net Income | \$ 453,591 | \$ 502,610 |
| Add Back: Goodwill Amortization | -- | 65,667 |
| Add Back: Trademark Amortization | -- | 24,225 |
| | ----- | ----- |
| Adjusted Net Income | \$ 453,591 | \$ 592,502 |
| | ===== | ===== |
| | | |
| Basic Earnings Per Share: | | |
| Reported Net Income | \$.13 | \$.13 |
| Goodwill Amortization | -- | .02 |
| Trademark Amortization | -- | .01 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Basic) | \$.13 | \$.16 |
| | ===== | ===== |
| | | |
| Diluted Earnings Per Share: | | |
| Reported Net Income | \$.13 | \$.13 |
| Goodwill Amortization | -- | .02 |
| Trademark Amortization | -- | .01 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Diluted) | \$.13 | \$.16 |
| | ===== | ===== |
| | | |
| Average Common Shares Outstanding (Basic) . | 3,507,000 | 3,771,000 |
| | ===== | ===== |
| | | |
| Average Common Shares Outstanding (Diluted) | 3,525,000 | 3,791,000 |
| | ===== | ===== |

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

FORM 10-QSB

MESA LABORATORIES, INC.

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STATEMENTS OF CASH FLOWS

(UNAUDITED)

| | For the Three Months Ended | |
|---|----------------------------|---------------|
| | June 30, 2001 | June 30, 2000 |
| | ----- | ----- |
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 453,591 | \$ 502,610 |
| Depreciation and Amortization | 29,185 | 130,034 |
| Change in Assets and Liabilities- | | |
| (Increase) Decrease in Accounts Receivable . | 420,034 | (111,827) |
| (Increase) Decrease in Inventories | (154,052) | (228,974) |
| (Increase) Decrease in Prepaid Expenses | (78,272) | 19,320 |
| Increase (Decrease) in Accounts Payable | (297,996) | 79,429 |
| Increase (Decrease) in Accrued Liabilities . | (124,463) | (118,823) |
| | ----- | ----- |
| Net Cash (Used) Provided by Operating Activities | 248,027 | 271,769 |
| | ----- | ----- |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures, Net of Retirements | (3,906) | (24,888) |
| | ----- | ----- |
| Net Cash (Used) Provided by Investing Activities | (3,906) | (24,888) |
| | ----- | ----- |
| Cash Flows From Financing Activities: | | |
| Treasury Stock Purchases | (353,001) | (302,965) |
| Proceeds From Stock Options Exercised | 3 | 13,438 |
| | ----- | ----- |
| Net Cash (Used) Provided by Financing Activities | (352,998) | (289,527) |
| | ----- | ----- |
| Net Increase (Decrease) In Cash and Equivalents | (108,877) | (42,646) |
| | ----- | ----- |
| Cash and Cash Equivalents at Beginning of Period | 2,316,769 | 2,849,709 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 2,207,892 | \$ 2,807,063 |
| | ===== | ===== |

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)
FORM 10-QSB

MESA LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 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

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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 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. In accordance with FASB No. 142, the Company will complete its goodwill impairment test within the first six months of the fiscal year.

The changes in the carrying amount of goodwill as of June 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 June 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 June 30, 2001, the Company had cash and short term investments of \$2,207,892. In addition, the Company had other current assets totaling \$5,634,882 and total current assets of \$7,842,774. Current liabilities of Mesa Laboratories, Inc. were \$438,256 which resulted in a current ratio of 17.9:1.

The Company has made net capital asset purchases of \$3,906 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.

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RESULTS OF OPERATIONS

REVENUE

Net sales for the three months ended June 30, 2001 decreased \$201,343 or 9% to \$2,059,654 from the \$2,260,997 net sales level achieved for the same three month period last year. Three quarters of the decrease was attributable to a decline in medical product sales. The remainder of the decrease was attributable to a decline in Datatrace sales during the quarter. Nusonics products for the

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quarter registered a small increase. The decrease in Datatrace sales was less than seven percent compared to the same quarter last year. Most of the sales decline for medical product was attributable to decreased dialyzer reprocessor sales. In the first quarter last year, one customer accounted for approximately \$200,000 of dialyzer reprocessor sales. In the first quarter of this fiscal year, the same customer placed an order that exceeds \$700,000 of dialyzer reproprocessors, but due to the size of the order, shipment will not occur until the second quarter reversing the initial shortfall in dialyzer reprocessor shipments in the first quarter.

COST OF GOODS SOLD

Cost of goods sold for the first three months as a percent of net sales was 39% which represents a 3% increase from the 36% level for the same three month period last year. Most of the increase realized in the quarter was attributable to changing mix of products due to the addition of the new Automata product line and decreased sales of Datatrace products.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first three months decreased 15% or \$102,149 to \$563,402 from \$665,551 in the same period last year. Marketing expenses accounted for an overall 5% decrease with Medical marketing expenses gaining over 38% from the prior year while Nusonics and Datatrace marketing expenses both decreased. The increase in marketing expenses for medical products was due chiefly to increased compensation and staffing level compared to last year. Datatrace costs decreased compared to last year due to lower outside commission costs. Nusonics marketing costs declined for the quarter due chiefly to lower compensation costs. Administration costs for the quarter decreased 34% due to decreased amortization and compensation expense.

RESEARCH AND DEVELOPMENT

Research and development for the first three months increased to \$98,814 from \$60,671 which represents a 63% increase from the same period last year. Research and development costs increased due to higher compensation costs as personnel resources were shifted from Nusonics marketing to research, 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 three months ended June 30, 2001 decreased 10% to \$453,591 or \$.13 per share from \$502,610 or \$.13 per share last year. The decrease in net income compared to last year was due chiefly to a decline in sales, but was partially off-set by a decrease in goodwill amortization due to the application of newly adopted accounting standards. On an earnings per share basis, earnings remained unchanged due to the Company's on-going program of repurchasing common shares.

PART II-OTHER INFORMATION

None.

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JUNE 30, 2001

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: August 9, 2001

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

DATED: August 9, 2001

BY: /s/ Steven W. Peterson
Steven W. Peterson
Vice
President-Finance, Chief
Financial and
Accounting Officer and
Secretary