

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

MESA LABORATORIES INC /CO  
Form 10QSB  
November 06, 2002

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 September 30, 2002  
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OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-11740  
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**MESA LABORATORIES, INC.**  
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(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**  
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(Address of Principal Executive Offices)

**80228**  
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(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 .  
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State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

There were 3,290,236 shares of the Issuer's common stock, no par value, outstanding as of September 30, 2002.

ITEM 1. FINANCIAL STATEMENTS

FORM 10-QSB

**MESA LABORATORIES, INC.**  
**BALANCE SHEETS**  
**(UNAUDITED)**

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	SEPTEMBER 30, 2002	MARCH 31, 2002
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,683,913	\$ 3,461,978
Accounts Receivable, Net	2,311,225	2,296,024
Inventories	2,486,566	2,443,091
Prepaid Expenses	119,673	398,290
	-----	-----
TOTAL CURRENT ASSETS	9,601,377	8,599,383
PROPERTY, PLANT & EQUIPMENT, NET	1,394,784	1,398,398
OTHER ASSETS		
Goodwill and Other	4,284,942	4,438,942
	-----	-----
TOTAL ASSETS	\$15,281,103	\$14,436,723
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 73,849	\$ 88,894
Accrued Salaries & Payroll Taxes	268,418	310,272
Other Accrued Expenses	73,966	66,878
Taxes Payable	168,532	34,661
	-----	-----
TOTAL CURRENT LIABILITIES	584,765	500,705
LONG TERM LIABILITIES		
Deferred Income Taxes Payable	41,744	41,744
STOCKHOLDERS' EQUITY		
Preferred Stock, No Par Value	-	-
Common Stock, No Par Value; authorized 8,000,000 shares; issued and outstanding, 3,290,236 shares (9/30/02) and 3,342,376 shares (3/31/02)	1,693,599	1,791,758
Retained Earnings	12,960,995	12,102,516
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	14,654,594	13,894,274
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$15,281,103	\$14,436,723
	=====	=====

MESA LABORATORIES, INC.  
STATEMENTS OF OPERATIONS  
(UNAUDITED)

Three Months Ended Sept. 30, 2002	Three Months Ended Sept. 30, 2001
-----	-----

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Sales	\$2,431,869	\$2,668,994
	-----	-----
Cost of Goods Sold	878,325	1,042,302
Selling, General & Administrative	493,455	599,239
Research and Development	79,480	57,834
Other (Income) and Expenses	(15,979)	(21,498)
	-----	-----
	1,435,281	1,677,877
	-----	-----
Earnings Before Income Taxes	996,588	991,117
Income Taxes	335,500	341,000
	-----	-----
Net Income	\$ 661,088	\$ 650,117
	=====	=====
Net Income Per Share (Basic)	\$ .20	\$ .19
	=====	=====
Net Income Per Share (Diluted)	\$ .20	\$ .19
	=====	=====
Average Common Shares Outstanding (Basic)	3,304,000	3,433,000
	=====	=====
Average Common Shares Outstanding (Diluted)	3,366,000	3,446,000
	=====	=====

MESA LABORATORIES, INC.  
STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Six Months Ended Sept. 30, 2002	Six Months Ended Sept. 30, 2001
	-----	-----
Sales	\$4,484,324	\$4,728,648
	-----	-----
Cost of Goods Sold	1,690,108	1,836,165
Selling, General & Administrative	1,075,071	1,162,641
Research and Development	128,930	156,648
Other (Income) and Expenses	(30,592)	(45,336)
	-----	-----
	2,863,517	3,110,118
	-----	-----
Earnings Before Income Taxes	1,620,807	1,618,530
Income Taxes	540,000	514,822
	-----	-----
Net Income	\$1,080,807	\$1,103,708
	=====	=====

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Net Income Per Share (Basic)	\$ .33	\$ .32
	=====	=====
Net Income Per Share (Diluted)	\$ .32	\$ .32
	=====	=====
Average Common Shares Outstanding (Basic)	3,318,000	3,469,000
	=====	=====
Average Common Shares Outstanding (Diluted)	3,389,000	3,490,000
	=====	=====

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

	Six Months Ended Sept. 30, 2002	Six Months Ended Sept. 30, 2001
	-----	-----
Cash Flows From Operating Activities:		
Net Income	\$1,080,807	\$1,103,708
Depreciation and Amortization	59,194	58,371
Change in Assets and Liabilities-		
(Increase) Decrease in Accounts Receivable	138,799	38,460
(Increase) Decrease in Inventories	(43,475)	(61,578)
(Increase) Decrease in Prepaid Expenses	278,617	6,743
Increase (Decrease) in Accounts Payable	(15,045)	(300,230)
Increase (Decrease) in Accrued Liabilities	99,105	(62,048)
	-----	-----
Net Cash (Used) Provided by Operating Activities	1,598,002	783,426
	-----	-----
Cash Flows From Investing Activities:		
Capital Expenditures, Net of Retirements	(55,580)	(6,199)
	-----	-----
Net Cash (Used) Provided by Investing Activities	(55,580)	(6,199)
	-----	-----
Cash Flows From Financing Activities:		
Treasury Stock Purchases	(350,675)	(799,385)
Proceeds From Stock Options Exercised	30,188	3
	-----	-----
Net Cash (Used) Provided by Financing Activities	(320,487)	(799,382)
	-----	-----
Net Increase (Decrease) In Cash and Equivalents	1,221,935	(22,155)
	-----	-----
Cash and Cash Equivalents at Beginning of Period	3,461,978	2,316,769
	-----	-----
Cash and Cash Equivalents at End of Period	\$4,683,913	\$2,294,614
	=====	=====

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MESA LABORATORIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002 AND 2001

## 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, 2002.

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.

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

### LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2002, the Company had cash and short term investments of \$4,683,913. In addition, the Company had other current assets totaling \$4,917,464 and total current assets of \$9,601,377. Current liabilities of Mesa Laboratories, Inc. were \$584,765 which resulted in a current ratio of 16.4:1.

The Company has made net capital asset purchases of \$55,580 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, 2002 decreased \$244,324 or 5% to \$4,484,324 from the \$4,728,648 net sales level achieved for the same six month period last year. Net sales for the quarter decreased \$237,125 or 9% to \$2,431,869 from the \$2,668,994 net sales level achieved in the same quarter last year. Net sales for both the quarter and six month period were unfavorably impacted by lower shipments of the Echo Dialyzer Reprocessing System. This unfavorable comparison for Echo Dialyzer Reprocessing systems and sales in total was due to shipment in the comparable quarter last year of an order to a single customer, which exceeded \$800,000. Due to introduction in the current fiscal year of the Datatrace Micropack III, logging products produced increases for the quarter and six month periods of 40% and 17%, respectively. Medical meter products also gained for the quarter and year-to-date periods from prior year rising 9% and 5%, respectively.

#### COST OF GOODS SOLD

Cost of goods sold for the first six months as a percent of net sales was 38% which represents a 1% decrease from the 39% level for the same six month period last year. Cost of goods sold for the current quarter as a percent of net

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sales was 36%, representing a 3% decrease compared to the 39% level in the same quarter last year. The decrease realized during the second quarter and first six months of fiscal 2002 was attributable to changing mix of products sold due to an increase in sales of Datatrace logging products in comparison to sales of the Company's medical products.

### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first six months decreased 8% or \$87,570 to \$1,075,071 from \$1,162,641 in the same period last year. For the current quarter, selling, general and administrative expenses totaled \$493,455, which was down 18% or \$105,784 from \$599,239 expended in the same quarter last year. Marketing expenses decreased 24% and 11% for the quarter and six month periods, respectively with Medical marketing expenses declining 38% and 28% from the prior year while Datatrace marketing expenses decreased 4% for the quarter and increased 12% for the six month period. The decrease in marketing expenses for medical products was due chiefly to lower compensation and bad debt levels. Datatrace costs increased for the six month period due to promotional costs in support of the new Micropack III product. Administration costs decreased only marginally for the quarter and six month periods.

### RESEARCH AND DEVELOPMENT

Research and development for the first six months decreased to \$128,930 from \$156,648 which represents an 18% decrease from the same period last year. Research and development for the quarter was \$79,480, which represents an increase of \$21,646 or 37% from the \$57,834 level expended in the same quarter last year. Research and development costs for the six month period decreased due to lower compensation, consulting and materials costs. The increase for the quarter was due chiefly to higher material and supplies costs incurred during the period.

### NET INCOME

Net income for the six months ended September 30, 2002 decreased 2% to \$1,080,807 or \$.32 per diluted share from \$1,103,708 or \$.32 per diluted share last year. Net income for the quarter was \$661,088 or a record \$.20 per diluted share compared to net income of \$650,117 or \$.19 per diluted share last year. For the quarter, the increase in net income compared to last year was due chiefly to increased sales of logging products. For the year-to-date, income was down slightly due to lower total sales, but increased as a percent of sales due to higher sales of logging products.

### PART II-OTHER INFORMATION

#### ITEM 3. Controls and procedures

The Company, under the supervision of the chief executive and financial officer, has conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days of the filing date of this quarterly report. Based upon the results of this evaluation, the Company believes that they maintain proper procedures for gathering, analyzing and disclosing all information in a timely fashion that is required to be disclosed in its Exchange Act reports. There have been no significant changes in the Company's controls subsequent to the evaluation date.

#### ITEM 6. Exhibits and reports on Form 8-K

##### a) Exhibits:

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99.1 Certification of Chief Executive Officer and Chief Financial Officer

b) Reports on Form 8-K:

None

MESA LABORATORIES, INC.

SEPTEMBER 30, 2002

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 6, 2002

BY: /s/Luke R. Schmieder

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

DATED: November 6, 2002

BY: /s/Steven W. Peterson

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

CERTIFICATIONS

I, Luke R. Schmieder, the Chief Executive Officer of Mesa Laboratories, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Mesa Laboratories, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 6, 2002

By: /s/Luke R. Schmieder  
Name: Luke R. Schmieder  
Title: Chief Executive Officer

I, Steven W. Peterson, the Chief Financial Officer of Mesa Laboratories, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Mesa Laboratories, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements



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were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 6, 2002

By: /s/Steven W. Peterson  
Name: Steven W. Peterson  
Title: Chief Financial Officer