

ALPHA PRO TECH LTD
Form 10-Q
August 06, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2014

Commission File No. 01-15725

Alpha Pro Tech, Ltd.

(exact name of registrant as specified in its charter)

Delaware, U.S.A.
(State or other jurisdiction of incorporation)

63-1009183
(I.R.S. Employer Identification No.)

60 Centurian Drive, Suite 112
Markham, Ontario, Canada
(Address of principal executive offices)

L3R 9R2
(Zip Code)

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Registrant's telephone number, including area code: (905) 479-0654

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 Web site, 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 (as defined 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.

Class	Outstanding August 1, 2014
Common Stock, \$0.01 par value	18,158,109 shares

Alpha Pro Tech, Ltd.

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Alpha Pro Tech, Ltd.**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Condensed Consolidated Balance Sheets (Unaudited)**

	June 30, 2014	December 31, 2013 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$5,271,000	\$8,215,000
Investments	2,856,000	1,606,000
Accounts receivable, net of allowance for doubtful accounts of \$82,000 and \$85,000 as of June 30, 2014 and December 31, 2013, respectively	6,913,000	5,071,000
Inventories	14,013,000	14,140,000
Prepaid expenses	2,484,000	2,968,000
Deferred income tax assets	640,000	640,000
Total current assets	32,177,000	32,640,000
Property and equipment, net	3,538,000	3,068,000
Goodwill	55,000	55,000
Definite-lived intangible assets, net	80,000	92,000
Equity investments in unconsolidated affiliate	2,903,000	2,708,000
Total assets	\$38,753,000	\$38,563,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$540,000	\$689,000
Accrued liabilities	642,000	1,036,000
Total current liabilities	1,182,000	1,725,000
Deferred income tax liabilities	1,644,000	1,257,000
Total liabilities	2,826,000	2,982,000
Shareholders' equity:		

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Common stock, \$.01 par value: 50,000,000 shares authorized; 18,158,109 and 18,878,109 shares outstanding as of June 30, 2014 and December 31, 2013, respectively	182,000	189,000
Additional paid-in capital	17,423,000	18,994,000
Accumulated other comprehensive income	1,385,000	625,000
Retained earnings	16,937,000	15,773,000
Total shareholders' equity	35,927,000	35,581,000
Total liabilities and shareholders' equity	\$38,753,000	\$38,563,000

(1) The condensed consolidated balance sheet as of December 31, 2013 has been prepared using information from the audited consolidated balance sheet as of that date.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alpha Pro Tech, Ltd.**Condensed Consolidated Statements of Income (Unaudited)**

	For the Three Months Ended June 30, 2014		For the Six Months Ended June 30, 2014	
	2014	2013	2014	2013
Net sales	\$12,252,000	\$11,156,000	\$22,208,000	\$20,606,000
Cost of goods sold, excluding depreciation and amortization	7,744,000	7,099,000	14,090,000	12,886,000
Gross profit	4,508,000	4,057,000	8,118,000	7,720,000
Operating expenses:				
Selling, general and administrative	3,298,000	3,183,000	6,670,000	6,695,000
Depreciation and amortization	176,000	175,000	364,000	356,000
Total operating expenses	3,474,000	3,358,000	7,034,000	7,051,000
Income from operations	1,034,000	699,000	1,084,000	669,000
Other income:				
Equity in income of unconsolidated affiliate	84,000	38,000	195,000	71,000
Gain on investments in common stock and common stock warrants	218,000	-	409,000	-
Interest income	6,000	1,000	9,000	2,000
Total other income	308,000	39,000	613,000	73,000
Income before provision for income taxes	1,342,000	738,000	1,697,000	742,000
Provision for income taxes	447,000	264,000	533,000	252,000
Net income	\$895,000	\$474,000	\$1,164,000	\$490,000
Basic earnings per common share	\$0.05	\$0.02	\$0.06	\$0.03
Diluted earnings per common share	\$0.05	\$0.02	\$0.06	\$0.03
Basic weighted average common shares outstanding	18,321,432	19,262,807	18,594,118	19,488,040
Diluted weighted average common shares outstanding	18,597,466	19,362,620	18,842,018	19,550,244

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alpha Pro Tech, Ltd.**Condensed Consolidated Statements of Comprehensive Income (Unaudited)**

	For the Three Months Ended June 30, 2014		For the Six Months Ended June 30, 2014	
	2014	2013	2014	2013
Net income	\$895,000	\$474,000	\$1,164,000	\$490,000
Other Comprehensive Income:				
Change in unrealized gain on marketable securities, net of tax	563,000	22,000	1,005,000	69,000
Reclassification adjustment for gains included in net income	(141,000)	-	(245,000)	-
Total other comprehensive income	422,000	22,000	760,000	69,000
Comprehensive income	\$1,317,000	\$496,000	\$1,924,000	\$559,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alpha Pro Tech, Ltd.**Condensed Consolidated Statement of Shareholders' Equity (Unaudited)**

**For the Six Months Ended
June 30, 2014**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of December 31, 2013	18,878,109	\$ 189,000	\$ 18,994,000	\$ 15,773,000	\$ 625,000	\$ 35,581,000
Options exercised	95,200	1,000	150,000	-	-	151,000
Stock-based compensation expense	-	-	16,000	-	-	16,000
Common stock repurchased and retired	(815,200)	(8,000)	(1,737,000)	-	-	(1,745,000)
Net income	-	-	-	-	-	-