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MESA LABORATORIES INC /CO
Form 10QSB
August 14, 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 June 30, 2002

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 3,314,476 shares of the Issuer's common stock, no par value, outstanding as of June 30, 2002.

ITEM 1. FINANCIAL STATEMENTS

FORM 10-QSB

MESA LABORATORIES, INC.

BALANCE SHEETS

(UNAUDITED)

ASSETS

JUNE 30, 2002

MARCH 31, 2002

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| | | |
|--|--------------|--------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 4,162,696 | \$ 3,461,978 |
| Accounts Receivable, Net | 2,124,056 | 2,296,024 |
| Inventories | 2,420,547 | 2,443,091 |
| Prepaid Expenses and Other | 189,436 | 398,290 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 8,896,735 | 8,599,383 |
| PROPERTY, PLANT & EQUIPMENT, NET | 1,392,779 | 1,398,398 |
| OTHER ASSETS | | |
| Goodwill and Other | 4,361,942 | 4,438,942 |
| | ----- | ----- |
| TOTAL ASSETS | \$14,651,456 | \$14,436,723 |
| | ===== | ===== |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 106,796 | \$ 88,894 |
| Accrued Salaries & Payroll Taxes | 259,489 | 310,272 |
| Other Accrued Expenses | 85,304 | 66,878 |
| Taxes Payable | 25,038 | 34,661 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 476,627 | 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, 3,314,476 shares (6/30/02) and 3,342,376 shares (3/31/02) | 1,733,867 | 1,791,758 |
| Retained Earnings | 12,399,218 | 12,102,516 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 14,133,085 | 13,894,274 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$14,651,456 | \$14,436,723 |
| | ===== | ===== |

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

FORM 10-QSB

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

Three Months

Three Months

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| | Ended June 30, 2002 ----- | Ended June 30, 2001 ----- |
|---|---------------------------------|---------------------------------|
| Sales | \$2,052,455 ----- | \$2,059,654 ----- |
| Cost of Goods Sold | 811,783 | 793,863 |
| Selling, General & Administrative | 581,616 | 563,402 |
| Research and Development | 49,449 | 98,814 |
| Other (Income) and Expenses | (14,612) ----- | (23,838) ----- |
| | 1,428,236 ----- | 1,432,241 ----- |
| Earnings Before Income Taxes | 624,219 | 627,413 |
| Income Taxes | 204,500 ----- | 173,822 ----- |
| Net Income | \$ 419,719 ===== | \$ 453,591 ===== |
| Net Income Per Share (Basic) | \$.13 ===== | \$.13 ===== |
| Net Income Per Share (Diluted) | \$.12 ===== | \$.13 ===== |
| Average Common Shares Outstanding (Basic) | 3,333,000 ===== | 3,507,000 ===== |
| Average Common Shares Outstanding (Diluted) | 3,415,000 ===== | 3,525,000 ===== |

ITEM 1. **FINANCIAL STATEMENTS (CONTINUED)**

FORM 10-QSB

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

| | Three Months Ended June 30, 2002 ----- | Three Months Ended June 30, 2001 ----- |
|--|---|---|
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 419,719 | \$ 453,591 |
| Depreciation and Amortization | 29,597 | 29,185 |
| Change in Assets and Liabilities- | | |
| (Increase) Decrease in Accounts Receivable | 248,968 | 420,034 |
| (Increase) Decrease in Inventories | 22,544 | (154,052) |
| (Increase) Decrease in Prepaid Expenses | 208,854 | (78,272) |
| Increase (Decrease) in Accounts Payable | 17,902 | (297,996) |
| Increase (Decrease) in Accrued Liabilities | (41,980) ----- | (124,463) ----- |
| Net Cash (Used) Provided by Operating | | |

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| | | |
|--|-------------|-------------|
| Activities | 905,604 | 248,027 |
| | ----- | ----- |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures, Net of Retirements | (23,978) | (3,906) |
| | ----- | ----- |
| Net Cash (Used) Provided by Investing Activities | (23,978) | (3,906) |
| | ----- | ----- |
| Cash Flows From Financing Activities: | | |
| | | - |
| Treasury Stock Purchases | (194,033) | (353,001) |
| Proceeds From Stock Options Exercised | 13,125 | 3 |
| | ----- | ----- |
| Net Cash (Used) Provided by Financing Activities | (180,908) | (352,998) |
| | ----- | ----- |
| Net Increase (Decrease) In Cash and Equivalents | 700,718 | (108,877) |
| Cash and Cash Equivalents at Beginning of Period | 3,461,978 | 2,316,769 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$4,162,696 | \$2,207,892 |
| | ===== | ===== |

ITEM 1. **FINANCIAL STATEMENTS (CONTINUED)**

FORM 10-QSB

MESA LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 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 June 30, 2002, the Company had cash and short term investments of \$4,162,696. In addition, the Company had other current assets totaling \$4,734,039 and total current assets of \$8,896,735. Current liabilities of Mesa Laboratories, Inc. were \$476,627 which resulted in a current ratio of 19:1.

The Company has made net capital asset purchases of \$23,978 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

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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 three months ended June 30, 2002 decreased \$7,199 or less than one percent to \$2,052,455 from the \$2,059,654 net sales level achieved for the same three month period last year. During the quarter the medical products produced a 4% increase, which was off-set by small decreases in the logging and ultrasonic portions of the products. Datatrace logging product sales were impacted by delays in shipping orders for the new Micropack III version of temperature loggers which carried past the quarter end. The rate of shipping improved during the month of July and we expect to increase our production capacity further during the current quarter in order to balance production with the demand for this new product.

FORM 10-QSB

COST OF GOODS SOLD

Cost of goods sold for the first three months as a percent of net sales was 40% which represents a 1% increase from the 39% level for the same three month period last year. Most of the increase realized in the quarter was attributable to higher labor and variance costs associated to the initial production of the new Micropack III Temperature Loggers.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first three months increased 3% or \$18,214 to \$581,616 from \$563,402 in the same period last year. Marketing expenses accounted for almost the entire increase in selling, general and administrative expenses. Costs associated with the introduction of the Datatrace Micropack III product were partially off-set by small decreases in the marketing costs for the Company's other products. Administration costs for the quarter increased only slightly due to increased consulting expense.

RESEARCH AND DEVELOPMENT

Research and development for the first three months decreased to \$49,449 from \$98,814 which represents a 50% decrease from the same period last year. Research and development costs decreased due to lower compensation and consulting costs due to the completion of software projects and completion of the Micropack III project, which was transitioning into manufacturing during the quarter.

NET INCOME

Net income for the three months ended June 30, 2002 decreased 7% to \$419,719 or \$.12 per diluted share from \$453,591 or \$.13 per diluted share last year. The change in net income from fiscal 2002 to fiscal 2003 was due to tax credits realized in fiscal 2002 which are expected to be reduced in fiscal 2003. Within the major expense categories, increases in cost of goods sold and selling, general and administration costs were off-set by a decrease in research and development spending.

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PART II-OTHER INFORMATION

ITEM 6. Exhibits and reports on Form 8-K

a) Exhibits:

99.1 Certification of Chief Executive Officer and Chief Financial Officer

b) Reports on Form 8-K None

FORM 10-QSB

MESA LABORATORIES, INC.

JUNE 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: August 14, 2002

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

DATED: August 14, 2002

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