

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

MESA LABORATORIES INC /CO  
Form 10QSB  
August 14, 2003

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, 2003  
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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.  
-----

(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 3,049,807 shares of the Issuer's common stock, no par value, outstanding as of June 30, 2003.

ITEM 1. FINANCIAL STATEMENTS  
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FORM 10-QSB

MESA LABORATORIES, INC.  
BALANCE SHEETS  
(UNAUDITED)

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| ASSETS  | JUNE 30, 2003 | MARCH 31, 2002 |
|---|---------------|----------------|
| -----   | -----         | -----          |
| CURRENT ASSETS                                |               |                |
| Cash and Cash Equivalents                     | \$ 5,580,130  | \$ 4,761,102   |
| Accounts Receivable, Net                      | 1,916,174     | 2,281,791      |
| Inventories                                   | 2,276,812     | 2,328,999      |
| Prepaid Expenses and Other                    | 138,809       | 231,766        |
|   | -----         | -----          |
| TOTAL CURRENT ASSETS                          | 9,911,925     | 9,603,658      |
| PROPERTY, PLANT & EQUIPMENT, NET              | 1,323,984     | 1,347,980      |
| OTHER ASSETS                                  |               |                |
| Goodwill and Other                            | 4,207,942     | 4,207,942      |
|   | -----         | -----          |
| TOTAL ASSETS                                  | \$15,443,851  | \$15,159,580   |
|   | =====         | =====          |
| LIABILITIES AND STOCKHOLDERS' EQUITY          |               |                |
| -----   |               |                |
| CURRENT LIABILITIES                           |               |                |
| Accounts Payable                              | \$ 90,202     | \$ 117,979     |
| Accrued Salaries & Payroll Taxes              | 247,404       | 332,537        |
| Other Accrued Expenses                        | 90,222        | 100,698        |
| Taxes Payable                                 | 239,008       | 35,492         |
|   | -----         | -----          |
| TOTAL CURRENT LIABILITIES                     | 666,836       | 586,706        |
| LONG-TERM LIABILITIES                         |               |                |
| Deferred Income Taxes Payable                 | 86,351        | 86,351         |
| STOCKHOLDERS' EQUITY                          |               |                |
| Preferred Stock, No Par Value                 | -             | -              |
| Common Stock, No Par Value;                   |               |                |
| authorized 8,000,000 shares;                  |               |                |
| issued and outstanding,                       |               |                |
| 3,049,807 shares (6/30/03)                    | 1,169,212     | 1,284,887      |
| and 3,098,907 shares (3/31/03)                | 13,521,452    | 13,201,636     |
| Retained Earnings                             | 13,521,452    | 13,201,636     |
|   | -----         | -----          |
| TOTAL STOCKHOLDERS' EQUITY                    | 14,690,664    | 14,486,523     |
|   | -----         | -----          |
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY | \$15,443,851  | \$15,159,580   |
|   | =====         | =====          |

**MESA LABORATORIES, INC.**  
**STATEMENTS OF OPERATIONS**  
(UNAUDITED)

|  |  |
|--|--|
| Three Months<br>Ended<br>June 30, 2003 | Three Months<br>Ended<br>June 30, 2002 |
| -----                                  | -----                                  |

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|   |             |             |
|---|-------------|-------------|
| Sales                                       | \$2,252,741 | \$2,052,455 |
|   | -----       | -----       |
| Cost of Goods Sold                          | 806,079     | 811,783     |
| Selling, General & Administrative           | 584,813     | 581,616     |
| Research and Development                    | 67,587      | 49,449      |
| Other (Income) and Expenses                 | (12,739)    | (14,612)    |
|   | -----       | -----       |
|   | 1,445,740   | 1,428,236   |
|   | -----       | -----       |
| Earnings Before Income Taxes                | 807,001     | 624,219     |
| Income Taxes                                | 283,875     | 204,500     |
|   | -----       | -----       |
| Net Income                                  | \$ 523,126  | \$ 419,719  |
|   | =====       | =====       |
| Net Income Per Share (Basic)                | \$ .17      | \$ .13      |
|   | =====       | =====       |
| Net Income Per Share (Diluted)              | \$ .17      | \$ .12      |
|   | =====       | =====       |
| Average Common Shares Outstanding (Basic)   | 3,077,000   | 3,333,000   |
|   | =====       | =====       |
| Average Common Shares Outstanding (Diluted) | 3,158,000   | 3,415,000   |
|   | =====       | =====       |

**MESA LABORATORIES, INC.**  
**STATEMENTS OF CASH FLOWS**

(UNAUDITED)

|   | Three Months<br>Ended<br>June 30, 2003 | Three Months<br>Ended<br>June 30, 2002 |
|---|--|--|
|   | -----                                  | -----                                  |
| Cash Flows From Operating Activities:               |  |  |
| Net Income  | \$ 523,126                             | \$ 419,719                             |
| Depreciation and Amortization                       | 25,649                                 | 29,597                                 |
| Change in Assets and Liabilities-                   |  |  |
| (Increase) Decrease in Accounts Receivable          | 365,617                                | 248,968                                |
| (Increase) Decrease in Inventories                  | 52,187                                 | 22,544                                 |
| (Increase) Decrease in Prepaid Expenses             | 92,957                                 | 208,854                                |
| Increase (Decrease) in Accounts Payable             | (27,777)                               | 17,902                                 |
| Increase (Decrease) in Accrued Liabilities          | 107,907                                | (41,980)                               |
|   | -----                                  | -----                                  |
| Net Cash (Used) Provided by Operating<br>Activities | 1,139,666                              | 905,604                                |
|   | -----                                  | -----                                  |
| Cash Flows From Investing Activities:               |  |  |
| Capital Expenditures, Net of Retirements            | (1,653)                                | (23,978)                               |
|   | -----                                  | -----                                  |
| Net Cash (Used) Provided by Investing Activities    | (1,653)                                | (23,978)                               |
|   | -----                                  | -----                                  |

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Cash Flows From Financing Activities:

|  |             |             |
|--|-------------|-------------|
|  |             | -           |
| Treasury Stock Purchases                         | (320,678)   | (194,033)   |
| Proceeds From Stock Options Exercised            | 1,693       | 13,125      |
|  | -----       | -----       |
| Net Cash (Used) Provided by Financing Activities | (318,985)   | (180,908)   |
|  | -----       | -----       |
| Net Increase (Decrease) In Cash and Equivalents  | 819,028     | 700,718     |
|  | -----       | -----       |
| Cash and Cash Equivalents at Beginning of Period | 4,761,102   | 3,461,978   |
|  | -----       | -----       |
| Cash and Cash Equivalents at End of Period       | \$5,580,130 | \$4,162,696 |
|  | =====       | =====       |

**MESA LABORATORIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003 AND 2002**

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, 2003.

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.

NOTE B. STOCK BASED COMPENSATION

The Company has stock based compensation plans, which are described more fully in Note 7 of the Company's annual report on Form 10KSB, at March 31, 2003. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards in fiscal 2004 and 2003 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share for the fiscal first quarter would have been reduced to the pro forma amount indicated below:

|  | June 30,               |                        |
|--|------------------------|------------------------|
|  | -----<br>2004<br>----- | -----<br>2003<br>----- |
| Net income - as reported               | \$ 523,126             | \$ 419,719             |
| Net income - pro forma                 | \$ 461,533             | \$ 411,126             |
| Income per diluted share - as reported | \$ .17                 | \$ .12                 |
| Income per diluted share - pro forma   | \$ .15                 | \$ .12                 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average

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assumptions used for grants: dividend yield of 0%; expected volatility of approximately 14% (2004) and 20% (2003); discount rate of 3.0% (2004) and (2003); and expected lives of 5 years.

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

#### LIQUIDITY AND CAPITAL RESOURCES

On June 30, 2003, the Company had cash and short-term investments of \$5,580,130. In addition, the Company had other current assets totaling \$4,331,795 and total current assets of \$9,911,925. Current liabilities of Mesa Laboratories, Inc. were \$666,836, which resulted in a current ratio of 15:1.

The Company has made net capital asset purchases of \$1,653 for the fiscal year-to-date.

The Company has instituted a program to repurchase up to 300,000 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 three months ended June 30, 2003 increased \$200,286 or ten percent to \$2,252,741 from the \$2,052,455 net sales level achieved for the same three-month period last year. The sales increase during the first quarter of the fiscal year was due to a 38 percent increase in sales of Datatrace logging instruments. This increase was partially offset by small declines of less than ten percent in Medical and Nusonics instruments. Last year's introduction of the Micropack III Temperature Logger continued to drive the increase in Datatrace instrument sales during the first quarter.

##### COST OF GOODS SOLD

Cost of goods sold for the first three months as a percent of net sales was 36%, which represents a 4% decrease from the 40% level for the same three-month period last year. The decrease realized during the first quarter of fiscal 2004 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 three months increased 1% or \$3,197 to \$584,813 from \$581,616 in the same period last year. Marketing expenses increased less than \$10,000 while Administrative expenses decreased slightly. The largest variation within expense categories is an increase in total commission costs, which trended higher due to higher sales volume.

##### RESEARCH AND DEVELOPMENT

Research and development for the first three months increased to \$67,587 from \$49,449, which represents a 37% increase from the same period last year. Research and development costs increased due to higher compensation and consulting costs. This trend is expected to continue throughout the fiscal year.

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Development of three new versions of the Micropack III Logger that will measure other parameter besides temperature is proceeding well and is expected to see introduction later in the fiscal year. Development projects for the company's line of Dialysate Meters for kidney dialysis have recently begun, and we estimate that we will begin to introduce our next generation medical instruments in approximately twelve months.

### NET INCOME

Net income for the three months ended June 30, 2003 increased 25% to \$523,126 or \$.17 per diluted share from \$419,719 or \$.12 per diluted share last year. The change in net income from fiscal 2003 to fiscal 2004 was due chiefly to an increase in sales during the current quarter. Within the major expense categories, a decrease in cost of goods sold was offset by an increase in selling, general and administration costs and research and development spending.

### ITEM 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them, on a timely basis, to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act.

b. Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

### PART II-OTHER INFORMATION

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

#### a) Exhibits:

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

#### b) Reports on Form 8-K:

On August 6, 2003, we furnished a report on Form 8-K under Item 9, Regulation FD Disclosure, to announce that we issued a press release on August 6, 2003 announcing preliminary results for the first quarter period ended June 30, 2003, and filed under Item 7, Financial Statements and Exhibits, a copy of the press release dated August 6,

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2003.

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, 2003

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

DATED: August 14, 2003

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