AEROSONIC CORP /DE/
Form 10-Q
December 17, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

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

FOR QUARTER ENDED October 31, 2001 COMMISSION FILE NO. 0-4988

AEROSONIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	74-1668471
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1212 No. Hercules Avenue, Clearwater, Florida	33765
(Address of principal executive offices)	(Zip Code)

(727) 461-3000
(Registrant's telephone number, including Area Code)

Non applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether 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 X NO____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $.40 per share, 3,986,262 number of shares as of October 31, 2001.

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PART 1. FINANCIAL INFORMATION

PART 1. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Aerosonic Corporation and Subsidiary
Consolidated Balance Sheets

	October 31, 2001 (unaudited)	Januar 200
ASSETS		
Current assets:		
Cash and cash investments	$ 919,000	$ 1,
Accounts receivable	5,953,000	5,
Inventory	10,021,000	9,
Prepaid expenses	175,000	
Deferred income tax benefit	295,000	
Total current assets	17,363,000	16,
Property, plant and equipment, net	4,315,000	4,
Other assets	621,000	

	$ 22,299,000	$ 21,
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt and notes payable	$ 1,029,000	$ 1,
Revolving credit facilities	500,000	
Accounts payable, trade	1,172,000	1,
Compensation and benefits	712,000	
Income taxes payable	220,000	
Other accrued expenses	1,055,000	
Total current liabilities	4,688,000	3,
Long-term debt, less current installments	3,605,000	4,
Deferred income taxes	113,000	
Total liabilities	8,406,000	8,
Shareholders' equity:		
Common stock, $.40 par; 8,000,000 shares authorized; 3,986,262 shares issued	1,595,000	1,
Additional paid-in capital	4,458,000	4,
Retained earnings	8,461,000	7,
Less treasury stock, 66,417 shares and 66,417 shares at 1/31/01 and 10/31/01, respectively, at cost	(621,000)	(
Total shareholders' equity	13,893,000	13,
	$ 22,299,000	$ 21,

Note: The balance sheet at January 31, 2001 has been derived from the audited financial statements at this date.

See Notes to Consolidated Financial Statements.

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Aerosonic Corporation and Subsidiary
Consolidated Statements of Income (Unaudited)

	Three Months Ended October 31,		Nine Mon Octo
	2001	2000	2001
Net sales	$ 6,994,000	$ 5,706,000	$ 20,947,000

Cost of goods sold	4,656,000	3,626,000	13,428,000
Gross profit	2,338,000	2,080,000	7,519,000
Selling, general and administrative expenses	1,895,000	2,258,000	5,931,000
Operating income	443,000	(178,000)	1,588,000
Other (income) deductions:			
Interest expense, net	99,000	148,000	327,000
Other, net	10,000	(4,000)	14,000
	109,000	144,000	341,000
Income before income taxes	334,000	(322,000)	1,247,000
Income tax expense	130,000	(129,000)	486,000
Net income	$ 204,000	$ (193,000)	$ 761,000
Earnings per share:	$ 0.05	$ (0.05)	0.19
Basic and Diluted weighted average shares outstanding	3,920,000	3,922,000	3,920,000

See Notes to Consolidated Financial Statements

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Aerosonic Corporation and Subsidiary
Consolidated Statements of Cash Flows (Unaudited)

	Nine months ended October 31	
	2001	2
Cash flows from operating activities:		
Net income	$ 761,000	$
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	597,000	5
Stock compensation		1
Change in current assets and liabilities	(739,000)	2

Net cash provided by (used in) operating activities	619,000	9
Cash flows from investing activities:		
Purchase of property, plant and equipment	(681,000)	(1
Changes in other assets	134,000	(1
Net cash used in investing activities	(547,000)	(3
Cash flows from financing activities:		
Proceeds from/(repayment on) long-term debt and notes payable	(230,000)	(4
Purchase of treasury stock	0	(1
Net cash provided by (used in) financing activities	(230,000)	(6
Net increase (decrease) in cash and cash investments	(158,000)	
Cash and cash investments, beginning of period	1,077,000	9
Cash and cash investments, end of period	$ 919,000	$ 1,0
Cash paid for:		
Interest	$ 320,000	$ 3
Income taxes	$ 418,000	$

See notes to consolidated financial statements

AEROSONIC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OCTOBER 31, 2001

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to form 10-Q of regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month periods ended October 31, 2001 are not necessarily indicative of the results that may be expected for the year ended January 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on form 10-K for the year ended January 31, 2001.

NOTE B - ENVIRONMENTAL MATTERS

As reported in the annual report on form 10-K for the fiscal year ended January 31, 2001, in accordance with a consent agreement signed by the Company in 1993, the Company's environmental consultant has developed an interim remedial action plan to contain and remediate certain contamination on and underlying the Company's property. During 1997 the Company recorded a provision of approximately $175,000 related to the estimated costs to be incurred under this plan. As of January 31, 2000 the company had utilized all amounts originally recorded in Other accrued expenses, and phase-one remediation had been completed.

During the third quarter of 2001, management assessed the post-remediation monitoring expense related to the environmental cleanup of 1993 would cost approximately $125,000. This amount was accrued and expensed during the third quarter of Fiscal Year 2001. Approximately $5,000 remains accrued in Other accrued expenses at October 31, 2001. Management believes that any additional liability for any further remediation will not have a material affect on the financial position of the company.

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PART 1. FINANCIAL INFORMATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

Company wide net sales for the third quarter ended October 31, 2001 were $6,994,000 as compared to $5,706,000 for the same period in the preceding year. Year-to-date net sales for the nine months ended October 31, 2001 were $20,947,000 as compared to $17,822,000 in the prior year period. Sales increases were due largely to the increased sales of altimeters, airspeed indicators, non-warranty instrument repairs, spare parts and riflescope components. Gross profit as a percentage of net sales equaled 33% in the third quarter of FY2002 versus 36% during the same period in the prior year. Gross profit margin, year-to-date, through the period ended October 31, 2001 equaled 36% versus 34% during the prior year period. The decline in gross profit margin in the third quarter was due to a higher concentration of multi-function probe sales to one certain customer through Avionics Specialties, Inc., Aerosonic Corporation's wholly - owned subsidiary.

Selling, General and Administrative (SG & A) expenses decreased during the third quarter ended October 31, 2001 to $1,895,000 as compared to $2,133,000 during the same period in the prior fiscal year. As a percentage of net sales SG& A decreased to 27% as compared to 37% during the prior year period. SG & A year-to-date through the period ended October 31, 2001 increased to $5,931,000 from $5,595,000 in the prior year period. However, as a percentage of net sales, SG & A decreased to 28% of net sales compared to 31% during the prior year period. The decreased SG & A expense during the third quarter ended October 31, 2001 as compared to same period in the prior fiscal year represents a reduction in legal expenses and the effort by management in controlling other SG & A costs. Year-to-date SG & A for the nine months ended October 31, 2001 increased during the year compared to Year to Date prior year due to an increase in legal expense during the first and second quarters of FY2002.

Interest expense dropped to $99,000 for the three months ended October 31, 2001 from $148,000 during the same period in the preceding year. Interest expense year-to-date through the period ended October 31, 2001 dropped to $327,000 versus $379,000 during the prior year period. This reduction is due primarily to reduced outstanding debt and lower interest rates.

For the third quarter ended October 31, 2001 the Company recorded a net profit of $204,000 or $0.05 per share, compared to a net loss of $193,000, or ($0.05) per share during the same period in the preceding year. Earnings year-to-date through the period ended October 31, 2001 increased to $761,000, or $0.19 per share from $18,000 or $0.00 per share.

Working capital equaled $12,675,000 at October 31, 2001 and the Company's current ratio approximated 3.70:1. Cash flow provided by operations was $619,000 through the third quarter ended October 31, 2001. Company management anticipates that cash flow from operations, existing cash balances and the availability under the Company's line of credit arrangement will be sufficient to fund future growth.

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The primary market risks exposure for the Company is interest rate risk. The Company does not currently utilize any financial instruments to manage interest rate risk. The Company is exposed to changes in interest rates primarily as a result of its variable rate short- and long-term borrowings. A hypothetical 10% increase in the Company's weighted average interest rate would have increased the Company's interest expense for the third quarter by approximately $9,000 based on the balance of variable rate debt outstanding at October 31, 2001.

FORWARD LOOKING STATEMENTS

This document contains statements that constitute "forward-looking" statements within the meaning of the Securities Act of 1933 and the Securities Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. "Forward-looking" statements contained in this document include the intent, belief or current expectations of the Company and its senior management team with respect to the future prospects of the Company's operations, and belief concerning profits from future operations and the Company's overall future business prospects, as well as the assumptions upon which such statements are based. Investors are cautioned that any such forward-looking statements are not guarantees of future performance, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those contemplated by the forward-looking statements in this document include, but are not limited to, adverse developments with respect to the operations of the Company's business units, failure to meet operating objectives or to execute the business plan, and the failure to reach revenue or profit projections. The Company undertakes no obligation to update or revise the forward-looking statements contained in this document to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

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PART II. OTHER INFORMATION

AEROSONIC CORPORATION

Item 1. LEGAL PROCEEDINGS

David S. Goldman, former President and Chief Executive Officer of Aerosonic Corporation sued the Company in September 1996, for an alleged breach of a consulting agreement between Mr. Goldman and the Company. The suit seeks damages in excess of $15,000. During fiscal year 1997, the Company sued Mr. Goldman and Mil-Spec Finishers, Inc., a former subcontractor to Aerosonic Corporation controlled by Mr. Goldman, seeking damages in excess of $15,000, for alleged fraud and misappropriation of funds, appropriation of corporate opportunity, breach of fiduciary duty and conversion. The Company filed an amended complaint, adding claims for civil theft against both defendants, in October of 1997. Management believes that the ultimate resolution of this matter will not have a material, negative effect on the financial position of the Company.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on form 8-K

The company did not file any report on form 8-K during the three months ended October 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AEROSONIC CORPORATION
(Registrant)

Date: December 14, 2001

/s/ Eric J. McCracken
Eric J. McCracken
Executive Vice President
and Chief Financial Officer