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MESA LABORATORIES INC /CO
Form 10QSB
February 14, 2002

Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB/A

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

For the quarterly period ended December 31, 2001

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

84-0872291

(State or other Jurisdiction of
Incorporation or Organization)
No.)

(I.R.S. Employer
Identification

12100 WEST SIXTH AVENUE, LAKEWOOD, COLORADO

80228

(Address of Principal Executive Offices)

(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 3,346,968 shares of the Issuer's common stock, no par value,
outstanding as of December 31, 2001.

ITEM 1. FINANCIAL STATEMENTS

FORM 10-QSB

MESA LABORATORIES, INC.
BALANCE SHEETS

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(UNAUDITED)

| | December 31, 2001 | March 31, 2001 |
|---|----------------------|---------------------|
| | ----- | ----- |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 3,138,153 | \$ 2,316,769 |
| Accounts Receivable, Net | 2,310,130 | 3,286,337 |
| Inventories | 2,315,510 | 2,402,847 |
| Prepaid Expenses | 344,023 | 133,408 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 8,107,816 | 8,139,361 |
| PROPERTY, PLANT & EQUIPMENT, NET . | 1,397,757 | 1,471,662 |
| OTHER ASSETS | | |
| Long-term Receivable | 385,000 | -- |
| Intangible Assets, Net | 4,207,942 | 4,207,942 |
| | ----- | ----- |
| TOTAL ASSETS | \$14,098,515 | \$13,818,965 |
| | ===== | ===== |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 50,941 | \$ 353,519 |
| Accrued Salaries & Payroll Taxes | 340,724 | 267,964 |
| Other Accrued Expenses | 95,610 | 108,771 |
| Taxes Payable | 32,236 | 130,461 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 519,511 | 860,715 |
| LONG TERM LIABILITIES | | |
| Deferred Income Taxes Payable .. | 25,292 | 25,292 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, No Par Value .. | -- | -- |
| Common Stock, No Par Value; authorized 8,000,000 shares; issued and outstanding, 3,346,968 shares (12/31/01) and 3,542,160 shares (3/31/01) | 1,811,842 | 2,165,549 |
| Retained Earnings | 11,741,870 | 10,767,409 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 13,553,712 | 12,932,958 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$14,098,515 | \$13,818,965 |
| | ===== | ===== |

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended December 31, 2001 ----- | Three Months Ended December 31, 2000 ----- |
|---|--|--|
| Sales | \$ 2,222,370 | \$ 2,010,386 |
| Cost of Goods Sold | 921,413 | 721,515 |
| Selling, General & Administrative | 508,814 | 611,497 |
| Research and Development | 74,212 | 77,683 |
| Other (Income) and Expenses | (15,579) | (45,909) |
| | ----- 1,488,860 | ----- 1,364,786 |
| Earnings Before Income Taxes | 733,510 | 645,600 |
| Income Taxes | 250,000 | 237,000 |
| | ----- | ----- |
| Net Income | \$ 483,510 | \$ 408,600 |
| | ===== | ===== |
| Reported Net Income | \$ 483,510 | \$ 408,600 |
| Add Back: Goodwill Amortization | -- | 65,667 |
| Add Back: Trademark Amortization | -- | 24,225 |
| | ----- | ----- |
| Adjusted Net Income | \$ 483,510 | \$ 498,492 |
| | ===== | ===== |
| Basic Earnings Per Share: | | |
| Reported Net Income | \$.14 | \$.11 |
| Goodwill Amortization | -- | .02 |
| Trademark Amortization | -- | .01 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Basic) | \$.14 | \$.14 |
| | ===== | ===== |
| Diluted Earnings Per Share: | | |
| Reported Net Income | \$.14 | \$.11 |
| Goodwill Amortization | -- | .02 |
| Trademark Amortization | -- | .00 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Diluted) ... | \$.14 | \$.13 |
| | ===== | ===== |
| Average Common Shares Outstanding (Basic) . | 3,354,000 | 3,671,000 |
| | ===== | ===== |

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| | | |
|---|-----------|-----------|
| Average Common Shares Outstanding (Diluted) | 3,418,000 | 3,725,000 |
| | ===== | ===== |

MESA LABORATORIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Nine Months Ended December 31, 2001 | Nine Months Ended December 31, 2000 |
|---|--|--|
| | ----- | ----- |
| Sales | \$ 6,951,018 | \$ 6,616,902 |
| | ----- | ----- |
| Cost of Goods Sold | 2,757,578 | 2,427,978 |
| Selling, General & Administrative | 1,671,455 | 1,880,903 |
| Research and Development | 230,859 | 203,430 |
| Other (Income) and Expenses | (60,915) | (117,358) |
| | ----- | ----- |
| | 4,598,977 | 4,394,953 |
| | ----- | ----- |
| Earnings Before Income Taxes | 2,352,041 | 2,221,949 |
| Income Taxes | 764,822 | 784,693 |
| | ----- | ----- |
| Net Income | \$ 1,587,219 | \$ 1,437,256 |
| | ===== | ===== |
| Reported Net Income | \$ 1,587,219 | \$ 1,437,256 |
| Add Back: Goodwill Amortization | -- | 197,001 |
| Add Back: Trademark Amortization | -- | 72,675 |
| | ----- | ----- |
| Adjusted Net Income | \$ 1,587,219 | \$ 1,706,932 |
| | ===== | ===== |
| Basic Earnings Per Share: | | |
| Reported Net Income | \$.46 | \$.39 |
| Goodwill Amortization | -- | .05 |
| Trademark Amortization | -- | .02 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Basic) | \$.46 | \$.46 |
| | ===== | ===== |
| Diluted Earnings Per Share: | | |
| Reported Net Income | \$.46 | \$.38 |
| Goodwill Amortization | -- | .05 |
| Trademark Amortization | -- | .02 |
| | ----- | ----- |
| Adjusted Net Income Per Share (Diluted) ... | \$.46 | \$.45 |
| | ===== | ===== |

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| | | |
|---|-----------|-----------|
| Average Common Shares Outstanding (Basic) . | 3,431,000 | 3,722,000 |
| | ===== | ===== |
| Average Common Shares Outstanding (Diluted) | 3,455,000 | 3,751,000 |
| | ===== | ===== |

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

| | Three Months Ended December 31, 2001 | Three Months Ended December 31, 2000 |
|---|---|---|
| | ----- | ----- |
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 1,587,219 | \$ 1,437,256 |
| Depreciation and Amortization | 87,555 | 390,103 |
| Change in Assets and Liabilities- | | |
| (Increase) Decrease in Accounts Receivable . | 591,207 | (681,717) |
| (Increase) Decrease in Inventories | 87,337 | (413,429) |
| (Increase) Decrease in Prepaid Expenses | (210,615) | (15,658) |
| Increase (Decrease) in Accounts Payable | (302,578) | (42,734) |
| Increase (Decrease) in Accrued Liabilities . | (38,626) | 204,225 |
| | ----- | ----- |
| Net Cash (Used) Provided by Operating Activities | 1,801,499 | 878,046 |
| | ----- | ----- |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures, Net of Retirements | (13,650) | (80,053) |
| | ----- | ----- |
| Net Cash (Used) Provided by Investing Activities | (13,650) | (80,053) |
| | ----- | ----- |
| Cash Flows From Financing Activities: | | |
| Treasury Stock Purchases | (966,495) | (814,312) |
| Proceeds From Stock Options Exercised | 30 | 13,942 |
| | ----- | ----- |
| Net Cash (Used) Provided by Financing Activities | (966,465) | (800,370) |
| | ----- | ----- |
| Net Increase (Decrease) In Cash and Equivalents | 821,384 | (2,377) |
| | ----- | ----- |
| Cash and Cash Equivalents at Beginning of Period | 2,316,769 | 2,849,709 |
| | ----- | ----- |

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| | | |
|--|--------------|--------------|
| Cash and Cash Equivalents at End of Period | \$ 3,138,153 | \$ 2,847,332 |
| | ===== | ===== |

MESA LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

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, 2001.

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. GOODWILL

In June 2001 The Financial Accounting Standards Board issued Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." These Statements establish accounting and reporting standards for business combinations and goodwill and other intangible assets, respectively. The Company has adopted these statements as of April 1, 2001. As allowed under FASB No. 141, the Company has elected to reclassify to goodwill certain recognized intangible assets that do not meet the criteria for recognition apart from goodwill. The company has also adopted FASB No. 142, which no longer allows for amortization of goodwill. Goodwill will be tested for impairment at the time of adoption and on an annual basis.

The changes in the carrying amount of goodwill as of December 31, 2001, are as follows:

| | Automata Instruments | Other Acquisitions | Total |
|-----------------------------------|-------------------------|-----------------------|-------------|
| | ----- | ----- | ----- |
| Balance March 31, 2001 | \$3,588,121 | \$619,821 | \$4,207,942 |
| Goodwill acquired during the year | - | - | - |
| Impairment losses | - | - | - |
| Balance December 31, 2001 | \$3,588,121 | \$619,821 | \$4,207,942 |

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

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2001, the Company had cash and short term investments of \$3,138,153. In addition, the Company had other current assets totaling \$4,969,663 and total current assets of \$8,107,816. Current liabilities of Mesa Laboratories, Inc. were \$519,511 which resulted in a current ratio of 15.6:1.

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The Company has made net capital asset purchases of \$13,650 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 nine months ended December 31, 2001 increased \$334,116 or 5% to \$6,951,018 from the \$6,616,902 net sales level achieved for the same nine month period last year. Net sales for the quarter increased \$211,984 or 11% to \$2,222,370 from the \$2,010,386 net sales level achieved in the same quarter last year. Sales for the quarter were led by a 24% increase in medical products. The Company's dialysis meters produced an 18% gain for the quarter compared to last year, while the Echo Dialyzer Reprocessor shipments increased more than 50% compared to last year. Datatrace loggers showed a small decline for the quarter decreasing three percent from the same quarter a year ago. Sales for the first nine months were led by a 16% increase in medical products with double digit percentage increases on a year to year basis for both reprocessor and meter products. Datatrace products continued to produce a small year to year decrease in sales of four percent.

COST OF GOODS SOLD

Cost of goods sold for the first nine months as a percent of net sales was 40% which represents a 3% increase from the 37% level for the same nine month period last year. Cost of goods sold for the current quarter as a percent of net sales was 41%, representing a 5% increase compared to the 36% level in the same quarter last year. The increase realized during the second quarter and first nine months of fiscal 2002 was attributable to changing mix of products sold due to an increase in sales of medical products in comparison to sales of the Company's logging products.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first nine months decreased 11% or \$209,448 to \$1,671,455 from \$1,880,903 in the same period last year. For the current quarter, selling, general and administrative expenses totaled \$508,814, which was down 17% or \$102,683 from \$611,497 expended in the same quarter last year. Marketing expenses accounted for an overall 7% increase with Medical marketing expenses gaining over 16% from the prior year while Datatrace marketing expenses increased 6%. The increase in marketing expenses for medical products was due chiefly to increased compensation and bad debt levels. Datatrace costs increased compared to last year due to higher compensation and bad debt costs. Administration costs for the first nine months decreased 29% due to decreased amortization expense due to the application of newly adopted accounting standards.

RESEARCH AND DEVELOPMENT

Research and development for the first nine months increased to \$230,859 from \$203,430 which represents a 13% increase from the same period last year. Research and development for the quarter was \$74,212, which represents a decrease of \$3,471 or 4% from the \$77,683 level expensed in the same quarter

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last year. Research and development costs for the nine month period increased due to higher consulting costs for two on-going software upgrade projects and higher material costs for prototype development of the next generation of Datatrace logging instruments.

NET INCOME

Net income for the nine months ended December 31, 2001 increased 10% to \$1,587,219 or \$.46 per diluted share from \$1,437,256 or \$.38 per diluted share last year. Net income for the quarter was \$483,510 or \$.14 per diluted share compared to net income of \$408,600 or \$.11 per diluted share last year. The increase in net income compared to last year was due chiefly to increased sales and elimination of goodwill amortization due to the application of newly adopted accounting standards.

PART II-OTHER INFORMATION

None.

MESA LABORATORIES, INC.

DECEMBER 31, 2001

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: February 14, 2002

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

DATED: February 14, 2002

BY: /s/Steven W. Peterson

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