

ALPHA PRO TECH LTD  
Form 10-Q  
November 08, 2007

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

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Quarterly Report pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the Quarter Ended September 30, 2007

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.)

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

**L3R 9R2**  
(Zip Code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 November 5, 2007.

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26,155,953 shares of common stock, \$.01 par value

Alpha Pro Tech, Ltd.

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*PART I. FINANCIAL INFORMATION*

**ITEM 1. FINANCIAL STATEMENTS**

Alpha Pro Tech, Ltd. (Alpha Pro Tech, the Company) prepared the following unaudited interim consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to these rules and regulations.

You should read the following unaudited interim consolidated financial statements and the accompanying notes together with the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The Company's 2006 Annual Report contains information that may be helpful in analyzing the financial information contained in this report and in comparing its results of operations for the three and nine months ended September 30, 2007 with the same period in 2006.

## Alpha Pro Tech, Ltd.

## Consolidated Balance Sheets (Unaudited)

	September 30, 2007		December 31, 2006 (1)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	4,187,000	\$	1,837,000
Accounts receivable, net of allowance for doubtful accounts of \$65,000 at September 30, 2007 and \$61,000 at December 31, 2006	5,279,000		6,157,000
Inventories, net	13,870,000		12,713,000
Prepaid expenses and other current assets	1,063,000		1,195,000
Deferred income taxes	508,000		395,000
Total current assets	24,907,000		22,297,000
Property and equipment, net	3,365,000		3,355,000
Goodwill, net	55,000		55,000
Intangible assets, net	170,000		151,000
Equity investments in and advances to unconsolidated affiliates	1,188,000		994,000
Total assets	29,685,000	\$	26,852,000
<b>Liabilities and Shareholders Equity</b>			
Current liabilities:			
Accounts payable	493,000	\$	1,213,000
Accrued liabilities	1,383,000		1,466,000
Total current liabilities	1,876,000		2,679,000
Deferred income taxes	758,000		693,000
Total liabilities	2,634,000		3,372,000
Shareholders equity			
Common stock, \$.01 par value, 50,000,000 shares authorized, 26,015,955 and 24,509,580 issued and outstanding at September 30, 2007 and December 31, 2006, respectively	260,000		245,000
Additional paid-in capital	27,370,000		25,774,000
Accumulated deficit	(579,000)		(2,539,000)
Total shareholders equity	27,051,000		23,480,000
Total liabilities and shareholders equity	29,685,000	\$	26,852,000

(1) The condensed consolidated balance sheet as of December 31, 2006 has been prepared using information from the audited financial statements at that date.

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

## Alpha Pro Tech, Ltd.

## Consolidated Income Statements (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 9,308,000	\$ 8,952,000	\$ 27,501,000	\$ 26,802,000
Cost of goods sold, excluding depreciation and amortization	4,913,000	4,847,000	14,671,000	14,433,000
Gross margin	4,395,000	4,105,000	12,830,000	12,369,000
Expenses:				
Selling, general and administrative	2,949,000	2,635,000	9,557,000	7,849,000
Depreciation and amortization	114,000	117,000	349,000	340,000
Income from operations	1,332,000	1,353,000	2,924,000	4,180,000
Other income				
Equity in income of unconsolidated affiliates	128,000	36,000	194,000	16,000
Interest, net	28,000	11,000	58,000	22,000
Income before provision for income taxes	1,488,000	1,400,000	3,176,000	4,218,000
Provision for income taxes	572,000	518,000	1,216,000	1,561,000
Net income	\$ 916,000	\$ 882,000	\$ 1,960,000	\$ 2,657,000
Basic net income per share	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.11
Diluted net income per share	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.11
Basic weighted average shares outstanding	25,626,172	24,117,694	25,240,202	24,093,373
Diluted weighted average shares outstanding	25,636,151	25,150,523	25,630,223	25,058,964

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

## Alpha Pro Tech, Ltd.

## Consolidated Statement of Shareholders Equity (Unaudited)

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-in Capital	Deficit	Total
Balance at December 31, 2006	24,509,580	\$ 245,000	\$ 25,774,000	\$ (2,539,000)	\$ 23,480,000
Share-based compensation expense			104,000		104,000
Options exercised	1,506,375	15,000	1,303,000		1,318,000
Income tax benefit from stock options exercised			189,000		189,000
Net income				1,960,000	1,960,000
Balance at September 30, 2007	26,015,955	\$ 260,000	\$ 27,370,000	\$ (579,000)	\$ 27,051,000

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

## Alpha Pro Tech, Ltd.

## Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30,	
	2007	2006
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 1,960,000	\$ 2,657,000
Adjustments to reconcile net income to net cash used in operating activities:		
Share-based compensation expense	104,000	12,000
Depreciation and amortization	349,000	340,000
Deferred income taxes	(48,000)	97,000
Equity in income of unconsolidated affiliates	(194,000)	(16,000)
Changes in assets and liabilities:		