

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

MESA LABORATORIES INC /CO  
Form 10QSB  
January 24, 2003

Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

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

For the quarterly period ended December 31, 2002  
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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.**  
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(Exact Name of Small Business Issuer as Specified in its Charter)

**COLORADO**  
-----

(State or other Jurisdiction of  
Incorporation or Organization)

**84-0872291**  
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(I.R.S. Employer  
Identification No.)

**12100 WEST SIXTH AVENUE, LAKEWOOD, COLORADO**  
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(Address of Principal Executive Offices)

**80228**  
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(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  
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State the number of shares outstanding of each of the Issuer's classes of  
common stock, as of the latest practicable date:

There were 3,116,430 shares of the Issuer's common stock, no par value,  
outstanding as of December 31, 2002.

ITEM 1. FINANCIAL STATEMENTS  
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FORM 10-QSB

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**MESA LABORATORIES, INC.**  
**BALANCE SHEETS**  
(UNAUDITED)

	December 31, 2002	March 31, 2002
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents .....	\$ 4,226,490	\$ 3,461,978
Accounts Receivable, Net .....	2,195,789	2,296,024
Inventories .....	2,495,743	2,443,091
Prepaid Expenses .....	156,839	398,290
	-----	-----
TOTAL CURRENT ASSETS .....	9,074,861	8,599,383
PROPERTY, PLANT & EQUIPMENT, NET .....	1,365,513	1,398,398
OTHER ASSETS		
Goodwill and Other .....	4,207,942	4,438,942
	-----	-----
TOTAL ASSETS .....	\$14,648,316	\$14,436,723
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable .....	\$ 31,892	\$ 88,894
Accrued Salaries & Payroll Taxes .....	310,889	310,272
Other Accrued Expenses .....	80,314	66,878
Taxes Payable .....	48,001	34,661
	-----	-----
TOTAL CURRENT LIABILITIES .....	471,096	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, 3,116,430 shares (12/31/02) and 3,342,376 shares (3/31/02) .....	1,325,789	1,791,758
Retained Earnings .....	12,809,687	12,102,516
	-----	-----
TOTAL STOCKHOLDERS' EQUITY .....	14,135,476	13,894,274
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$14,648,316	\$14,436,723
	=====	=====

**MESA LABORATORIES, INC.**

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**STATEMENTS OF OPERATIONS**

(UNAUDITED)

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001
	-----	-----
Sales .....	\$ 2,196,865	\$ 2,222,370
	-----	-----
Cost of Goods Sold .....	793,324	921,413
Selling, General & Administrative .....	561,943	508,814
Research and Development .....	70,707	74,212
Other (Income) and Expenses .....	(13,204)	(15,579)
	-----	-----
	1,412,770	1,488,860
	-----	-----
Earnings Before Income Taxes .....	784,095	733,510
Income Taxes .....	245,500	250,000
	-----	-----
Net Income .....	\$ 538,595	\$ 483,510
	=====	=====
Net Income Per Share (Basic) .....	\$ .17	\$ .14
	=====	=====
Net Income Per Share (Diluted) .....	\$ .17	\$ .14
	=====	=====
Average Common Shares Outstanding (Basic) .....	3,157,000	3,354,000
	=====	=====
Average Common Shares Outstanding (Diluted) ....	3,238,000	3,418,000
	=====	=====

**MESA LABORATORIES, INC.**

**STATEMENTS OF OPERATIONS**

(UNAUDITED)

	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
	-----	-----
Sales .....	\$ 6,681,189	\$ 6,951,018
	-----	-----
Cost of Goods Sold .....	2,483,432	2,757,578
Selling, General & Administrative .....	1,637,015	1,671,455
Research and Development .....	199,636	230,859
Other (Income) and Expenses .....	(43,796)	(60,915)

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	-----	-----
	4,276,287	4,598,977
	-----	-----
Earnings Before Income Taxes .....	2,404,902	2,352,041
Income Taxes .....	785,500	764,822
	-----	-----
Net Income .....	\$ 1,619,402	\$ 1,587,219
	=====	=====
Net Income Per Share (Basic) .....	\$ .50	\$ .46
	=====	=====
Net Income Per Share (Diluted) .....	\$ .49	\$ .46
	=====	=====
Average Common Shares Outstanding (Basic) .....	3,264,000	3,431,000
	=====	=====
Average Common Shares Outstanding (Diluted) ....	3,338,000	3,455,000
	=====	=====

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

	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
	-----	-----
Cash Flows From Operating Activities:		
Net Income .....	\$ 1,619,402	\$ 1,587,219
Depreciation and Amortization .....	88,791	87,555
Change in Assets and Liabilities-		
(Increase) Decrease in Accounts Receivable ...	331,235	591,207
(Increase) Decrease in Inventories .....	(52,652)	87,337
(Increase) Decrease in Prepaid Expenses .....	241,451	(210,615)
Increase (Decrease) in Accounts Payable .....	(57,002)	(302,578)
Increase (Decrease) in Accrued Liabilities ...	27,393	(38,626)
	-----	-----
Net Cash (Used) Provided by Operating Activities .....	2,198,618	1,801,499
	-----	-----
Cash Flows From Investing Activities:		
Capital Expenditures, Net of Retirements .....	(55,906)	(13,650)
	-----	-----
Net Cash (Used) Provided by Investing Activities .	(55,906)	(13,650)
	-----	-----
Cash Flows From Financing Activities:		
Treasury Stock Purchases .....	(1,438,849)	(966,495)

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Proceeds From Stock Options Exercised .....	60,649	30
	-----	-----
Net Cash (Used) Provided by Financing Activities .	(1,378,200)	(966,465)
	-----	-----
Net Increase (Decrease) In Cash and Equivalents ..	764,512	821,384
	-----	-----
Cash and Cash Equivalents at Beginning of Period .	3,461,978	2,316,769
	-----	-----
Cash and Cash Equivalents at End of Period .....	\$ 4,226,490	\$ 3,138,153
	=====	=====

**MESA LABORATORIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 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 December 31, 2002, the Company had cash and short-term investments of \$4,226,490. In addition, the Company had other current assets totaling \$4,848,371 and total current assets of \$9,074,861. Current liabilities of Mesa Laboratories, Inc. were \$471,096 which resulted in a current ratio of 19.3:1.

The Company has made net capital asset purchases of \$55,906 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, 2002 decreased

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\$269,829 or 4% to \$6,681,189 from the \$6,951,018 net sales level achieved for the same nine-month period last year. Net sales for the quarter decreased \$25,505 or 1% to \$2,196,865 from the \$2,222,370 net sales level achieved in the same quarter last year. For the quarter net sales showed a modest decline. When the major products are analyzed sales of Datatrace logging products increased 19% during the quarter, but were offset by a 16% decline in medical product sales. The sales trend year-to-date is very similar to the quarterly results with Datatrace products increasing 18% while medical products declined 17%. At this time, revenues are being positively impacted by the recent introduction of the Company's new Micropack III Temperature Loggers and by a decrease in the value of the US Dollar compared to the Euro. These positive events continue to be tempered by an on-going weakness in capital spending. Additionally, medical sales have declined year-to-date due primarily to lower Dialyzer Reprocessor sales, which enjoyed higher than average sales volume in the prior fiscal year.

### COST OF GOODS SOLD

Cost of goods sold for the first nine months as a percent of net sales was 37% which represents a 3% decrease from the 40% level for the same nine-month period last year. Cost of goods sold for the current quarter as a percent of net sales was 36%, representing a 5% decrease compared to the 41% level in the same quarter last year. The decrease realized during the third quarter and first nine months of fiscal 2003 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 nine months decreased 2% or \$34,440 to \$1,637,015 from \$1,671,455 in the same period last year. For the current quarter, selling, general and administrative expenses totaled \$561,943, which was up 10% or \$53,129 from \$508,814 expended in the same quarter last year. Marketing expenses increased 11% and decreased 5% for the quarter and nine month periods, respectively with Medical marketing expenses increasing 4% for the quarter and declining 20% year-to-date from the prior year while Datatrace marketing expenses increased 29% for the quarter and increased 17% for the nine month period. The increase in marketing expenses for medical products for the quarter was due chiefly to higher training costs. Datatrace costs increased for the nine-month period due to promotional costs in support of the new Micropack III product and increased bad debt levels. Administration costs increased 9% and 2% for the quarter and nine-month periods, and was due chiefly to annual report and meeting costs, which were incurred earlier in the year compared to the prior fiscal year.

### RESEARCH AND DEVELOPMENT

Research and development for the first nine months decreased to \$199,636 from \$230,859 which represents a 14% decrease from the same period last year. Research and development for the quarter was \$70,707, which represents a decrease of \$3,505 or 5% from the \$74,212 level expensed in the same quarter last year. Research and development costs for the nine-month period decreased due to lower compensation and consulting costs. The decrease for the quarter was due chiefly to lower consulting costs, which were mostly offset by higher material costs.

### NET INCOME

Net income for the nine months ended December 31, 2002 increased 2% to \$1,619,402 or \$.49 per diluted share from \$1,587,219 or \$.46 per diluted

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share last year. Net income for the quarter increased 11% to \$538,595 or \$.17 per diluted share compared to net income of \$483,510 or \$.14 per diluted share last year. For both the quarter and nine-month period, the increase in net income compared to last year was due chiefly to increased sales of logging products. For the quarter, diluted earnings per share increased by 21% benefiting from the reduced shares outstanding produced by the Company's on-going stock repurchase efforts.

### PART II-OTHER INFORMATION

#### ITEM 3. Controls and procedures

The Company, under the supervision of the chief executive and financial officers, has conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days of the filing date of this quarterly report. Based upon the results of this evaluation, the Company believes that they maintain proper procedures for gathering, analyzing and disclosing all information in a timely fashion that is required to be disclosed in its Exchange Act reports. There have been no significant changes in the Company's controls subsequent to the evaluation date.

#### ITEM 4. Submission of matters to a vote of securities holders

The Annual Meeting of Shareholders of Mesa Laboratories, Inc. was held on November 14, 2002. Of the 3,290,536 Shares entitled to vote, 2,870,987 were represented either in person or by proxy. Four Directors were elected to serve until the next Annual Meeting of Shareholders.

The four directors elected were:

	FOR	WITHHELD
	---	-----
Michael T. Brooks	2,853,526	17,461
H. Stuart Campbell	2,853,826	17,161
Paul D. Duke	2,849,526	21,461
Luke R. Schmieder	2,840,326	30,661

#### 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

MESA LABORATORIES, INC.

DECEMBER 31, 2002

SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the Issuer

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has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MESA LABORATORIES, INC.

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(Issuer)

DATED: January 24, 2003  
-----

BY: /s/Luke R. Schmieder  
-----

Luke R. Schmieder  
President, Chief Executive Officer,  
Treasurer and Director

DATED: January 24, 2003  
-----

BY: /s/Steven W. Peterson  
-----

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

CERTIFICATIONS  
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I, Luke R. Schmieder, the Chief Executive Officer of Mesa Laboratories, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Mesa Laboratories, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and



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- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
  6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 24, 2003

By: /s/ Luke R. Schmieder

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Name: Luke R. Schmieder

Title: Chief Executive Officer

I, Steven W. Peterson, the Chief Financial Officer of Mesa Laboratories, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Mesa Laboratories, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those

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entities, particularly during the period in which this quarterly report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 24, 2003

By: /s/ Steven W. Peterson

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Name: Steven W. Peterson

Title: Chief Financial Officer