

ALPHA PRO TECH LTD
Form 10-Q
November 06, 2008
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**Quarterly Report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the Quarter Ended September 30, 2008

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)

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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 Smaller Reporting Company

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 3, 2008. 24,249,753 shares of common stock, \$.01 par value

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Alpha Pro Tech, Ltd.

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Exhibit 31.1: Certification by CEO pursuant to Rule 13a-14(b) and Rule 15d-14(b) of the Exchange Act (filed herewith)

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Exhibit 31.2: Certification by CFO pursuant to Rule 13a-14(b) and Rule 15d-14(b) of the Exchange Act (filed herewith)

Exhibit 32.1: Certification by CEO pursuant to Section 906 of the Sarbanes-Oxley Act (filed herewith)

Exhibit 32.2: Certification by CFO pursuant to Section 906 of the Sarbanes-Oxley Act (filed herewith)

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Alpha Pro Tech, Ltd.

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 current year 10-Q's and 8-K's as well as the Annual Report on Form 10-K for the year ended December 31, 2007. The Company's 2007 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, 2008 with the same period in 2007.

Table of Contents**Alpha Pro Tech, Ltd.****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	September 30, 2008	December 31, 2007 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,817,000	\$ 4,064,000
Accounts receivable, net of allowance for doubtful accounts of \$64,000 at September 30, 2008 and \$65,000 at December 31, 2007	5,113,000	4,422,000
Inventories, net	12,655,000	14,111,000
Prepaid expenses and other current assets	1,324,000	1,588,000
Deferred income taxes	509,000	419,000
Total current assets	24,418,000	24,604,000
Property and equipment, net	3,083,000	3,439,000
Goodwill, net	55,000	55,000
Intangible assets, net	202,000	180,000
Equity investments in and advances to unconsolidated affiliates	1,331,000	1,208,000
Total assets	\$ 29,089,000	\$ 29,486,000
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 212,000	\$ 457,000
Accrued liabilities	1,235,000	1,478,000
Total current liabilities	1,447,000	1,935,000
Deferred income taxes	751,000	747,000
Total liabilities	2,198,000	2,682,000
Shareholders equity		
Common stock, \$.01 par value, 50,000,000 shares authorized, 24,557,255 and 25,583,655 issued and outstanding at September 30, 2008 and December 31, 2007, respectively	246,000	256,000
Additional paid-in capital	25,498,000	26,670,000
Retained earnings (accumulated deficit)	1,147,000	(122,000)
Total shareholders equity	26,891,000	26,804,000
Total liabilities and shareholders equity	\$ 29,089,000	\$ 29,486,000

(1) The condensed consolidated balance sheet as of December 31, 2007 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.

Table of Contents**Alpha Pro Tech, Ltd.****Consolidated Income Statements (Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 10,217,000	\$ 9,308,000	\$ 26,654,000	\$ 27,501,000
Cost of goods sold, excluding depreciation and amortization	5,862,000	4,913,000	14,931,000	14,671,000
Gross margin	4,355,000	4,395,000	11,723,000	12,830,000
Expenses:				
Selling, general and administrative	3,078,000	2,949,000	9,413,000	9,557,000
Depreciation and amortization	151,000	114,000	433,000	349,000
Income from operations	1,126,000	1,332,000	1,877,000	2,924,000
Other income				
Equity in income of unconsolidated affiliates	85,000	128,000	123,000	194,000
Interest, net	7,000	28,000	59,000	58,000
Income before provision for income taxes	1,218,000	1,488,000	2,059,000	3,176,000
Provision for income taxes	473,000	572,000	790,000	1,216,000
Net income	\$ 745,000	\$ 916,000	\$ 1,269,000	\$ 1,960,000
Basic net income per share	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.08
Diluted net income per share	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.08
Basic weighted average shares outstanding	24,720,617	25,626,172	24,979,837	25,240,202
Diluted weighted average shares outstanding	24,720,617	25,636,151	24,979,837	25,630,223

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

Table of Contents**Alpha Pro Tech, Ltd.****Consolidated Statement of Shareholders Equity (Unaudited)**

	Common Stock		Additional Paid-in Capital		(Accumulated Deficit) Retained Earnings	Total
	Shares	Amount				
Balance at December 31, 2007	25,583,655	\$ 256,000	\$	26,670,000	\$ (122,000)	\$ 26,804,000
Share- based compensation expense				153,000		153,000
Common Stock repurchased & retired	(1,026,400)	(10,000)		(1,325,000)		(1,335,000)
Net income					1,269,000	1,269,000
Balance at September 30, 2008	24,557,255	\$ 246,000	\$	25,498,000	\$ 1,147,000	\$ 26,891,000

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

Table of Contents**Alpha Pro Tech, Ltd.****Consolidated Statements of Cash Flows (Unaudited)**

	For the Nine Months Ended September 30,	
	2008	2007
Cash Flows From Operating Activities:		
Net income	\$ 1,269,000	\$ 1,960,000
Adjustments to reconcile net income to net cash used in operating activities:		
Share-based compensation expense	153,000	104,000
Depreciation and amortization	433,000	349,000
Deferred income taxes	(86,000)	(48,000)
Equity in income of unconsolidated affiliates	(123,000)	(194,000)
Changes in assets and liabilities:		
Accounts receivable, net	(691,000)	878,000
Inventories, net	1,456,000	(1,157,000)
Prepaid expenses and other current assets	264,000	132,000
Accounts payable and accrued liabilities	(488,000)	(803,000)
Net cash provided by operating activities:	2,187,000	1,221,000
Cash Flows From Investing Activities:		
Purchase of property and equipment		