

ADVANTAGE TECHNOLOGIES GROUP INC
Form 10-Q
May 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File number 1-10799

ADDvantage Technologies Group, Inc.
(Exact name of registrant as specified in its charter)

OKLAHOMA 73-1351610
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

1221 E. Houston
Broken Arrow, Oklahoma 74012
(Address of principal executive office)
(918) 251-9121

(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated
filer
Non-accelerated filer (do not check if a smaller reporting
company) 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

Shares outstanding of the issuer's \$.01 par value common stock as of April 30, 2016 were 10,134,235.

ADVANTAGE TECHNOLOGIES GROUP, INC.
Form 10-Q
For the Period Ended March 31, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

	March 31, 2016	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$4,969,254	\$6,110,986
Accounts receivable, net of allowance for doubtful accounts of \$250,000	5,650,300	4,286,377
Income tax receivable	175,096	–
Inventories, net of allowance for excess and obsolete inventory of \$3,056,628 and \$2,756,628, respectively	21,757,901	23,600,996
Prepaid expenses	354,962	153,454
Deferred income taxes	1,740,000	1,776,000
Total current assets	34,647,513	35,927,813
Property and equipment, at cost:		
Land and buildings	7,218,678	7,218,678
Machinery and equipment	3,696,288	3,415,164
Leasehold improvements	151,957	151,957
Total property and equipment, at cost	11,066,923	10,785,799
Less: Accumulated depreciation	(4,774,500)	(4,584,796)
Net property and equipment	6,292,423	6,201,003
Investment in and loans to equity method investee	280,562	–
Intangibles, net of accumulated amortization	5,386,571	5,799,473
Goodwill	3,910,089	3,910,089
Other assets	135,988	134,678
Total assets	\$50,653,146	\$51,973,056

See notes to unaudited consolidated condensed financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

	March 31, 2016	September 30, 2015
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$2,055,719	\$1,784,482
Accrued expenses	979,778	1,358,681
Income tax payable	–	122,492
Notes payable – current portion	888,845	873,752
Other current liabilities	941,534	982,094
Total current liabilities	4,865,876	5,121,501
Notes payable, less current portion	3,917,289	4,366,130
Deferred income taxes	296,000	286,000
Other liabilities	114,679	1,064,717
Total liabilities	9,193,844	10,838,348
Shareholders' equity:		
Common stock, \$.01 par value; 30,000,000 shares authorized; 10,634,893 and 10,564,221 shares issued, respectively; 10,134,235 and 10,063,563 shares outstanding, respectively		
	106,349	105,642
Paid in capital	(4,958,006)	(5,112,269)
Retained earnings	47,310,973	47,141,349
Total shareholders' equity before treasury stock	42,459,316	42,134,722
Less: Treasury stock, 500,658 shares, at cost	(1,000,014)	(1,000,014)
Total shareholders' equity	41,459,302	41,134,708
Total liabilities and shareholders' equity	\$50,653,146	\$51,973,056

See notes to unaudited consolidated condensed financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended March	
	March 31,		31,	
	2016	2015	2016	2015
Sales	\$ 10,587,187	\$ 11,366,539	\$ 18,836,855	\$ 22,203,697
Cost of sales	7,002,575	7,123,027	12,486,863	14,128,382
Gross profit	3,584,612	4,243,512	6,349,992	8,075,315
Operating, selling, general and administrative expenses	3,256,403	3,803,155	5,925,028	6,878,614
Income from operations	328,209	440,357	424,964	1,196,701
Other income (expense):				
Other income	109,554	–	109,554	–
Interest income	2,172	–	2,172	–
Loss from equity method investment	(140,998)	–	(140,998)	–
Interest expense	(62,307)	(79,102)	(130,068)	(164,523)
Total other income (expense), net	(91,579)	(79,102)	(159,340)	(164,523)
Income before provision for income taxes	236,630	361,255	265,624	1,032,178
Provision for income taxes	91,000	127,000	96,000	382,000
Net income	\$ 145,630	\$ 234,255	\$ 169,624	\$ 650,178
Earnings per share:				
Basic	\$0.01	\$0.02	\$0.02	\$0.06
Diluted	\$0.01	\$0.02	\$0.02	\$0.06
Shares used in per share calculation:				
Basic	10,092,319	10,051,844	10,080,729	10,046,525
Diluted	10,092,319	10,051,844	10,080,729	10,046,525

See notes to unaudited consolidated condensed financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2016	2015
Operating Activities		
Net income	\$ 169,624	\$ 650,178
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	203,349	198,887
Amortization	412,902	412,903
Provision for excess and obsolete inventories	300,000	300,000
Deferred income tax provision (benefit)	46,000	(133,000)
Share based compensation expense	94,275	125,306
Loss from equity method investment	140,998	-
Changes in assets and liabilities:		
Accounts receivable	(1,255,966)	(7,431)
Income tax receivable\payable	(297,588)	220,104
Inventories	1,559,195	(2,303,817)
Prepaid expenses	(140,813)	(60,571)
Other assets	(1,310)	-
Accounts payable	213,280	1,602,015
Accrued expenses	(369,501)	31,351
Net cash provided by operating activities	1,074,445	1,035,925
Investing Activities		
Acquisition of net operating assets	(178,000)	-
Guaranteed payments for acquisition of business	(1,000,000)	(1,000,000)
Investment in and loans to equity method investment	(421,560)	-
Additions to machinery and equipment	(182,869)	(77,523)
Net cash used in investing activities	(1,782,429)	(1,077,523)
Financing Activities		
Payments on notes payable	(433,748)	(420,272)
Net cash used in financing activities	(433,748)	(420,272)
Net decrease in cash and cash equivalents	(1,141,732)	(461,870)
Cash and cash equivalents at beginning of period	6,110,986	5,286,097
Cash and cash equivalents at end of period	\$4,969,254	\$4,824,227
Supplemental cash flow		