FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

WIRELESS TELECOM GROUP INC
CIK:**878828**| IRS No.: **222582295** | State of Incorp.:**NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-11916** | Film No.: **1697070**
SIC: **3825** Instruments for meas & testing of electricity & elec signals

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For Quarter Ended

June 30, 2001

[ ] 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

1-11916

WIRELESS TELECOM GROUP, INC.
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2582295 (I.R.S. Employer Identification No.)
East 64 Midland Avenue Paramus, New Jersey (Address of principal executive offices)	07652 (Zip Code)

(201) 261-8797
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report.)

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 [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most recent practicable date.

Common Stock - Par Value $.01 Class	17,662,777 Outstanding Shares At July 23, 2001

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WIRELESS TELECOM GROUP, INC.

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PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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- ASSETS -	JUNE 30, 2001 (unaudited)	DECEMBER 31, 2000
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,514,379	$ 21,451,256

Accounts receivable -- net of allowance for doubtful accounts of $132,121 and $44,681, respectively	2,933,160	2,932,461
Inventories	4,902,387	4,664,264
Current portion of deferred tax benefit	98,000	98,000
Prepaid expenses and other current assets	724,920	306,716
TOTAL CURRENT ASSETS	28,172,846	29,452,697
PROPERTY, PLANT AND EQUIPMENT - NET	5,247,959	5,251,603
OTHER ASSETS:		
Goodwill - net	2,115,384	2,198,718
Deferred tax benefit	112,435	112,435
Other assets	645,747	640,820
TOTAL OTHER ASSETS	2,873,566	2,951,973
TOTAL ASSETS	$ 36,294,371	$ 37,656,273
- LIABILITIES AND SHAREHOLDERS' EQUITY -		
CURRENT LIABILITIES:		
Accounts payable	$ 690,161	$ 979,040
Accrued expenses and other current liabilities	514,029	888,158
Current portion of mortgage payable	28,060	32,168
Income taxes payable - current	484,004	-
TOTAL CURRENT LIABILITIES	1,716,254	1,899,366
LONG TERM LIABILITIES:		
Mortgage payable	3,189,622	3,201,295
Other long term liabilities	139,237	172,574
TOTAL LONG TERM LIABILITIES	3,328,859	3,373,869
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY (Note 3):		
Preferred stock, $.01 par value, 2,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value, 75,000,000 shares authorized, 19,787,177 and 19,781,677 shares issued, in 2001 and 2000, respectively	197,872	197,817
Additional paid-in-capital	12,758,269	12,748,855
Retained earnings	23,562,960	21,466,402
Treasury stock at cost, - 2,054,100 and 907,100, in 2001 and 2000, respectively	(5,269,843)	(2,030,036)
TOTAL SHAREHOLDERS' EQUITY	31,249,258	32,383,038
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 36,294,371	$ 37,656,273

</TABLE>

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

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WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
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	For the Three Months Ended June 30,	For the Six Months Ended June 30,

	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
NET SALES	$ 5,335,268	$ 4,600,783	$ 11,114,820	$ 8,943,132
COSTS AND EXPENSES:				
Cost of sales	2,610,069	1,913,402	5,214,694	3,941,955
Operating expenses	1,507,938	2,805,242	2,968,401	4,325,351
Interest, dividend and other income	(167,261)	(323,992)	(415,331)	(728,217)
TOTAL COSTS AND EXPENSES	3,950,746	4,394,652	7,767,764	7,539,089
INCOME BEFORE INCOME TAXES	1,384,522	206,131	3,347,056	1,404,043
PROVISION FOR INCOME TAXES	511,838	117,556	1,250,497	549,542
NET INCOME	$ 872,684	$ 88,575	$ 2,096,559	$ 854,501
NET INCOME PER COMMON SHARE (Note 2):				
BASIC	$ 0.05	$ -	$ 0.12	$ 0.04
DILUTED	$ 0.05	$ -	$ 0.11	$ 0.04

</TABLE>

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

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WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
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	For the Six Months Ended June 30,	
	2001	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,096,559	$ 854,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	250,988	243,183
Provision for losses on accounts receivable	61,363	10,956
Other income	(33,336)	(33,336)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(62,062)	(1,055,799)
(Increase) in inventories	(238,123)	(802,538)
(Increase) decrease in prepaid expenses and other current assets	(418,398)	1,075,160
(Decrease) increase in accounts payable and accrued expenses	(663,008)	258,537
Increase (decrease) in income taxes payable	484,004	(218,391)
Net cash provided by operating activities	1,477,987	332,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(186,729)	(168,931)
Proceeds from sale of fixed assets	22,720	-
Purchase of investment	-	(500,000)
Increase in real estate escrow	(4,736)	(3,946)

Net cash (used for) investing activities	(168,745)	(672,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage note	(15,781)	(12,823)
Payments of loans	-	(41,642)
Proceeds from related party borrowings	-	250,000
Acquisition of treasury stock	(3,239,807)	-
Proceeds from exercise of stock options/warrants	9,469	401,262
Net cash (used for) provided by financing activities	(3,246,119)	596,797
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,936,877)	256,193
Cash and cash equivalents, at beginning of year	21,451,256	22,225,763
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 19,514,379	$ 22,481,956
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Taxes	$ 1,105,480	$ 1,237,900
Interest	$ 121,986	$ 134,616

</TABLE>

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

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WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The condensed, consolidated balance sheet as of June 30, 2001 and the condensed, consolidated statements of operations for the three and six month periods ended June 30, 2001 and 2000 and the condensed, consolidated statements of cash flows for the six month periods ended June 30, 2001 and 2000 have been prepared by the Company without audit. The consolidated financial statements include the accounts of Wireless Telecom Group, Inc. and its wholly-owned subsidiaries Boonton Electronics Corporation, WTG Foreign Sales Corporation and NC Mahwah, Inc.

In the opinion of management, the accompanying condensed consolidated financial statements referred to above contain all necessary adjustments, consisting of normal accruals and recurring entries only, which are necessary to present fairly the Company's results for the interim periods being presented.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements included in its annual report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Specific reference is made to this report for a description of the Company's securities and the notes to financial statements included therein, since certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from this report.

The results of operations for the three and six month periods ended June 30, 2001 and 2000 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 - INCOME PER COMMON SHARE

Income per common share is computed by dividing the net income by the weighted average number of common shares and common equivalent shares outstanding during each period. The Company utilizes SFAS 128 "Earnings Per Share" ("SFAS 128"), which has changed the method for calculating earnings per share. SFAS 128 requires the presentation of "basic" and "diluted" earnings per share on the face of the income statement.

NOTE 3 - SHAREHOLDERS' EQUITY

During the six months ended June 30, 2001, the Company repurchased 1,147,000 shares (219,000 shares for the quarter ended June 30, 2001) of its common stock, pursuant to a stock repurchase program authorized by the Board of Directors on November 27, 2000.

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

INTRODUCTION

Wireless Telecom Group, Inc., a New Jersey corporation, and Boonton Electronics Corporation (collectively, the "Company"), develops, manufactures and markets a wide variety of electronic noise sources and electronic testing and measuring instruments including power meters, voltmeters and modulation meters. The Company's products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communication systems and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN) and digital television.

On July 7, 2000, Wireless Telecom Group, Inc. and Boonton Electronics Corp. closed on a merger under an agreement dated March 2, 2000. A newly formed, wholly-owned subsidiary of the Company, WTT Acquisition Corp., merged with and into Boonton, a public entity. The merger was accounted for as a pooling of interests and accordingly, all periods prior to the merger have been restated to include the results of operations and cash flows of Boonton.

The financial information presented herein includes:
(i) Condensed consolidated balance sheets as of June 30, 2001 and as of December 31, 2000
(ii) Condensed consolidated statements of operations for the three and six month periods ended June 30, 2001 and 2000 and (iii) Condensed consolidated statements of cash flows for the six month periods ended June 30, 2001 and 2000.

OPERATIONS

For the six months ended June 30, 2001 as compared to the corresponding period of the previous year, net sales increased to $11,114,820 from $8,943,132, an increase of $2,171,688 or 24.3%. For the quarter ended June 30, 2001 as compared to the corresponding quarter of the previous year, net sales increased to $5,335,268 from $4,600,783 an increase of $734,485 or 16.0%. These increases are primarily due to an increase in application of the Company's products as built-in testers in wireless networks and an overall increase in the market for the Company's noise-based communication and power measurement products.

The Company's gross profit on net sales for the six months ended June 30, 2001 was $5,900,126 or 53.1% as compared to $5,001,177 or 55.9% for the six months ended June 30, 2000. Gross profit on net sales for the quarter ended June 30, 2001 was $2,725,199 or 51.1% as compared to $2,687,381 or 58.4% for the three months ended June 30, 2000. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the six months ended June 30, 2001 were $2,968,401 or 26.7% of net sales as compared to $4,325,351 or 48.4% of net sales for the six months ended June 30, 2000. Operating expenses for the quarter ended June 30, 2001 were $1,507,938 or 28.3% of net sales as compared to $2,805,242 or 61.0% of net sales for the quarter ended June 30, 2000.

For the three and six months ended June 30, 2001 as compared to the same period of the prior year, operating expenses decreased in dollars by $1,297,304 and $1,356,950, respectively. These decreases are primarily due to a reduction in professional fees, shareholder expenses, internal commissions and an increase in rental income. Additionally, there was a write-off of $300,000 of Boonton receivables in the second quarter of 2000. These reductions were offset by an increase in external commissions and office salaries.

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Interest, dividend and other income decreased by $312,886 for the six months ended June 30, 2001 and by $156,731 for the quarter ended June 30, 2001. These decreases were primarily due to declining interest rates on short-term investments in 2001.

Net income increased to $2,096,559, or $.11 per share (diluted), for the six months ended June 30, 2001 as compared to $854,501, or $.04 per share (diluted) for the six months ended June 30, 2000. The Company realized net income for the quarter ended June 30, 2001 of $872,684 or $.05 per share (diluted) as compared to net income of $88,575 or $.00 per share (diluted) for the three months ended June 30, 2000. The explanation of these changes can be derived from the analysis given above of operations for the three and six month periods ending June 30, 2001 and 2000, respectively.

LIQUIDITY AND CAPITAL RESOURCES:

The Company's working capital has decreased by $1,096,739 to $26,456,592 at June 30, 2001, from $27,553,331 at December 31, 2000. At June 30, 2001 the Company had a current ratio of 16.4 to 1, and a ratio of debt to net worth of .16 to 1. At December 31, 2000 the Company had a current ratio of 15.5 to 1, and a ratio of debt to net worth of .16 to 1.

The Company realized cash provided by operations of $1,477,987 for the six month period ending June 30, 2001. This increase was primarily due to cash provided by net income of $2,096,559, offset by a decrease in accounts payable of $663,008, an increase in prepaid expenses of $418,398 and an increase in inventories of $238,123.

The Company has historically been able to turn over its accounts receivable approximately every two months. This average collection period has been sufficient to provide the working capital and liquidity necessary to operate the Company. The Company continues to monitor production requirements and delivery times while maintaining manageable levels of goods on hand.

Operating activities provided $332,273 in cash flows for the comparable period in 2000. Cash provided by net income of $854,501 and a reduction of prepaid expenses and other current assets of $1,075,160 was offset by increases in accounts receivable of $1,055,799 and inventories of $802,538.

Net cash used for investing activities for the six months ended June 30, 2001 was $168,745. The primary use of these funds was capital expenditures of $186,729. For the six months ended June 30, 2000, net cash used for investing activities was $672,877. The primary use of these funds was the purchase of a $500,000 investment in equity securities of an unrelated entity and capital expenditures of $168,931.

Net cash used for financing activities for the six months ended June 30, 2001 was $3,246,119. The primary use of these funds was for the acquisition of treasury stock in the amount of $3,239,807. Net cash provided by financing activities in the same period of 2000 was $596,797. The primary source of these funds was the proceeds from the exercise of stock options and warrants of $401,262 and the proceeds from related party borrowings of $250,000.

The Company believes that its financial resources from working capital provided by operations are adequate to meet current requirements.

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INFLATION AND SEASONALITY

The Company does not anticipate that inflation will significantly impact its business nor does it believe that its business is seasonal.

FORWARD LOOKING STATEMENTS

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "intends," "plans," "may," "will," "should," or "anticipates," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements involve predictions. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements.

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PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Not applicable.

Item 2. CHANGES IN SECURITIES

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

11.1 Computation of per share earnings

(b) Reports on Form 8-K:

Not applicable.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WIRELESS TELECOM GROUP, INC.
(Registrant)

Date: July 27, 2001 /S/ Edward Garcia

Edward Garcia
Chairman and Chief Executive Officer

Date: July 27, 2001 /S/ Marc Wolfsohn

Marc Wolfsohn
Chief Financial Officer

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Exhibit 11.1

WIRELESS TELECOM GROUP, INC.
COMPUTATION OF PER SHARE EARNINGS
(Unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2000	2001	2000
Net Income	$ 872,684	$ 88,575	$ 2,096,559	$ 854,501
BASIC EARNINGS:				
Weighted average number of common shares outstanding	17,815,120	19,167,207	18,054,986	19,128,316
Basic earnings per common share:	$0.05	$ 0.00	$0.12	$ 0.04
DILUTED EARNINGS:				
Weighted average number of common shares outstanding	17,815,120	19,167,207	18,054,986	19,128,316
Stock options	441,063	324,710	303,438	635,007
Weighted average number of common shares outstanding, as adjusted	18,256,183	19,491,917	18,358,424	19,763,323
Diluted earnings per common share:	$0.05	$ 0.00	$0.11	$ 0.04

</TABLE>