

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**  
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FILER

**V BAND CORPORATION**

CIK: **731181** | IRS No.: **132990015** | State of Incorp.: **NY** | Fiscal Year End: **1031**  
Type: **10-Q** | Act: **34** | File No.: **000-13284** | Film No.: **95546776**  
SIC: **3661** Telephone & telegraph apparatus

Mailing Address  
565 TAXTER ROAD  
ELMSFORD NY 10523

Business Address  
565 TAXTER RD  
ELMSFORD NY 10523  
9147895000

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended April 30, 1995  
-----

- ----- 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 0-13284

V BAND CORPORATION

-----  
(Exact name of registrant as specified in its charter)

New York

13-2990015

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

565 Taxter Road, Elmsford, New York 10523

-----  
(Address and zip code of principal executive office)

(914) 789-5000

-----  
(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 [ X ] No [ ]

The number of shares of Common Stock outstanding, as of May 31, 1995, was 5,316,448 shares.

V BAND CORPORATION  
FORM 10-Q QUARTERLY REPORT  
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 1995

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V BAND CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 APRIL 30, 1995 AND OCTOBER 31, 1994  
 (in 000's, except share data)

<TABLE>

<CAPTION>

	April 30, 1995	October 31, 1994
	-----	-----
	(unaudited)	
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents .....	\$ 710	\$ 3,122
Marketable securities, at cost (approximates market) .....	3,706	4,603
Accounts receivable, less allowance for doubtful accounts of \$302 in 1995 and \$263 in 1994 .....	4,930	7,669
Inventories, net .....	13,008	11,773
Deferred tax asset .....	1,251	1,251
Prepaid expenses and other current assets .....	583	505
	-----	-----
Total current assets .....	24,188	28,923
	-----	-----
Fixed Assets:		
Furniture, fixtures, equipment and leasehold improvements .	9,739	10,019
Less: Accumulated depreciation and amortization .....	(8,557)	(8,536)
	-----	-----
Total fixed assets .....	1,182	1,483
	-----	-----
Other Assets .....	5,155	5,621
	-----	-----
TOTAL ASSETS .....	\$ 30,525	\$ 36,027
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable .....	\$ 1,915	\$ 3,710
Accrued wages .....	832	872
Customer deposits .....	2,900	2,842
Other accrued expenses .....	2,480	2,564
	-----	-----
Total current liabilities .....	8,127	9,988
	-----	-----
Shareholders' Equity:		
Common stock, \$.01 par value; authorized 20,000,000 shares; issued 7,035,770 .....	70	70

Capital in excess of par value .....	19,756	19,756
Retained earnings .....	14,187	17,809
Cumulative transition adjustment .....	153	172
	-----	-----
	34,166	37,807
Less - Treasury stock, at cost; 1,719,322 shares .....	(11,768)	(11,768)
	-----	-----
Total shareholders' equity .....	22,398	26,039
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....	\$ 30,525	\$ 36,027
	=====	=====

</TABLE>

See notes to consolidated financial statements

V BAND CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)  
FOR THE THREE MONTHS AND SIX MONTHS ENDED APRIL 30, 1995 AND 1994  
(in 000's, except per share data)

<TABLE><CAPTION>

	Three Months Ended April 30,		Six Months Ended April 30,	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales				
Equipment .....	\$4,993	\$6,559	\$ 9,144	\$12,234
Service .....	2,300	946	4,449	1,507
	-----	-----	-----	-----
Total sales .....	7,293	7,505	13,593	13,741
	-----	-----	-----	-----
Cost of Sales				
Equipment .....	3,508	3,389	6,615	6,280
Service .....	1,167	636	2,441	977
	-----	-----	-----	-----
Total cost of sales .....	4,675	4,025	9,056	7,257
	-----	-----	-----	-----
Gross profit .....	2,618	3,480	4,537	6,484
	-----	-----	-----	-----
Operating Expenses				
Selling, general and administrative	3,057	2,536	6,483	4,747
Research and development .....	964	819	1,920	1,571
	-----	-----	-----	-----
Total operating expenses .....	4,020	3,355	8,403	6,318
	-----	-----	-----	-----
Operating income (loss) .....	(1,402)	125	(3,866)	166
	-----	-----	-----	-----
Net Investment Income .....	76	125	150	239
Other Income (Expense) .....	55	(2)	94	(2)
	-----	-----	-----	-----
Net income (loss) .....	\$ (1,271)	\$ 248	\$ (3,622)	\$ 403
	=====	=====	=====	=====
Per share data				
Net income (loss) .....	\$ (.24)	\$ .05	\$ (.68)	\$ .08
	=====	=====	=====	=====
Weighted average number of shares of common stock and common stock equivalents .....	5,323	5,310	5,322	5,298

</TABLE>

See notes to consolidated financial statements

V BAND CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)  
FOR THE SIX MONTHS ENDED APRIL 30, 1995 AND 1994  
(in 000's)

<TABLE>

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	1995	1994
	-----	-----
<S>	<C>	<C>
Cash Flows from Operating Activities		
Net income (loss) .....	\$ (3,622)	\$ 403
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation .....	391	402
Amortization of other assets .....	545	364
Provision for doubtful accounts .....	70	45
Provision for inventories .....	378	273
Gain on disposal of fixed assets .....	(59)	0
Changes in assets and liabilities (net of business acquisitions):		
Decrease (increase) in accounts receivable .....	2,669	(833)
Increase in inventories .....	(1,613)	(3,367)
Increase in prepaid expenses and other current assets .....	(78)	(371)
(Increase) decrease in other assets .....	(78)	24
(Decrease) increase in accounts payable and accrued expenses ..	(1,861)	776
Foreign currency translation adjustment .....	(19)	0
	-----	-----
Net cash used in operating activities .....	(3,277)	(2,284)
	-----	-----
Cash Flows from Investing Activities		
Purchases of marketable securities .....	(1,147)	(4,729)
Sales of marketable securities, net .....	2,044	6,201
Capital expenditures .....	(32)	(176)
Payments for business acquisitions .....	0	(440)
	-----	-----
Net cash provided by investing activities .....	865	856
	-----	-----
Cash Flows from Financing Activities		
Proceeds from issuance of common stock .....	0	120
	-----	-----
Net cash provided by financing activities .....	0	120
	-----	-----
Net decrease in cash and cash equivalents .....	(2,412)	(1,308)
	-----	-----
Cash and Cash Equivalents, at beginning of period .....	3,122	3,003
	-----	-----
Cash and Cash Equivalents, at end of period .....	\$ 710	\$ 1,695
	=====	=====
Supplementary Disclosures		
Income taxes paid .....	\$ 78	\$ 63
Interest paid .....	\$ --	\$ --

</TABLE>

See notes to consolidated financial statements

V BAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A -- Basis of Presentation

The accompanying consolidated financial statements include the accounts of V Band Corporation and its subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's audited financial statements for the fiscal year ended October 31, 1994 as set forth in the Company's annual report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at April 30, 1995 and all periods presented have been made.

Note B -- Significant accounting policy

Revenue recognition - Equipment revenue, which includes equipment and labor for new system installations, for long-term contracts is recognized under the percentage of completion method. Other equipment revenue is recognized as the product is shipped. Service revenue is recognized when the service has been completed.

Note C -- Inventories

Inventories are summarized as follows:

<TABLE>

<CAPTION>

	April 30, 1995	October 31, 1994
	-----	-----
<S>	<C>	<C>
Finished goods .....	\$ 7,010,000	\$ 5,920,000
Parts and components .....	8,930,000	8,607,000
	-----	-----
	15,940,000	14,527,000
Less: Inventory reserves .....	(2,932,000)	(2,754,000)
	-----	-----
	\$ 13,008,000	\$ 11,773,000
	=====	=====

</TABLE>

Note D -- Income Taxes

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" during the first quarter of 1994. The deferred tax asset valued at \$1,251,000 is net of a valuation allowance of \$150,000. There was no benefit for income taxes recorded in the six months ended April 30, 1995 as the loss incurred cannot be carried back to prior years. Management has not recorded an incremental tax asset related to the loss incurred in the six months ended April 30, 1995.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Sales for the second quarter of 1995, ended April 30, 1995, of \$7,293,000 were slightly lower than the \$7,505,000 reported in the second quarter of 1994. For the six months ended April 30, 1995, sales were \$13,593,000, which were slightly lower than the \$13,741,000 reported in 1994. Equipment sales of \$4,993,000 in the second quarter of 1995 declined \$1,566,000, or 24%, from the \$6,559,000

reported for the second quarter of 1994. For the six months ended April 30, 1995, equipment sales of \$9,144,000 declined \$3,090,000, or 25%, from the \$12,234,000 reported in the same period for 1994. This decrease was due in part to a generally weaker demand for the Company's product and competitive pressures in certain segments of the financial services market. Sales from the service business increased 143% to \$2,300,000 for the second quarter of 1995 as compared to \$946,000 for the second quarter of 1994. Service sales for the six month period of \$4,449,000 were \$2,942,000 or 195% higher than the \$1,507,000 reported in 1994. This increase was attributable to the Company's sales and service operations acquired during the latter part of 1994.

Gross profit margins for the second quarter and six months ended April 30, 1995 were 36% and 33%, respectively, as compared to 46% and 47%, respectively, for the same periods in 1994. The gross profit margins for the equipment sales declined to 30% and 28%, respectively, in the second quarter and six months ended April 30, 1995 as compared to 48% and 49%, respectively, for the same periods in 1994. The decline in equipment gross profit margin was due primarily to lower volume of equipment sales, lower pricing for the Company's products and a lower portion of sales of the Company's Viax Analog product, for which gross margins are typically higher. The gross profit margins for service sales were 49% and 45%, respectively, for the second quarter and six months of 1995 as compared to 33% and 35%, respectively, for the same periods in 1994. These increases in margin were primarily attributable to increased maintenance contract and repair sales for which margins are typically higher and gross profits derived from cancellation charges related to a contract in the Company's United Kingdom operations.

Operating expenses for the second quarter of 1995 were \$4,020,000, or \$665,000 higher than the \$3,355,000 reported for the second quarter of 1994. For the six months ended April 30, 1995, operating expenses were \$8,403,000, or \$2,085,000 higher than the \$6,318,000 for the same period in 1994. This increase in operating costs was attributable primarily to expenses associated with the Company's newly-acquired service businesses and higher research and development expenses related to new products. In addition, the Company recorded a \$400,000 non-recurring manufacturing restructuring charge related to expenses to be incurred and assets to be disposed of during the transition of the Company's manufacturing facility to a new location. Management believes the reorganized production plans, which will rely to a greater extent on out-sourced contract manufacturing of its product sub-assemblies, will enable the Company to improve its plant utilization.

Net investment income declined to \$76,000 and \$150,000 for the second quarter and six months ended April 30, 1995 as compared to \$125,000 and \$239,000 for the same period of 1994. This decrease was attributable primarily to a decrease in marketable securities, of which \$4.4million was used for the Company's 1994 business acquisitions.

The net loss reported for the second quarter ended April 30, 1995 was \$1,271,000, or \$.24 per share, as compared to a net income of \$248,000, or \$.05 per share, for the second quarter of 1994. The net loss reported for the six months ended April 30, 1995 was \$3,622,000, or \$.68 per share, as compared to a net income of \$403,000, or \$.08 per share, for the same period in 1994. The average shares outstanding for the period ended April 30, 1995 increased to 5,323,000 versus 5,298,000 for the same period in 1994.

#### Financial Condition

The Company's aggregate of cash, cash equivalents and marketable securities was \$4,416,000 at April 30, 1995, a decrease of \$3,309,000 from the October 31, 1994 balances of \$7,725,000. The net decrease reflects the use of approximately \$2,300,000 of cash to fund the year-to-date net loss. The remaining reduction in cash was attributable primarily to increases in inventory, to support orders to

be shipped in the next quarter and a decrease in current liabilities related to costs incurred in fulfilling existing larger sales orders, for which the Company had received deposits in the fourth quarter of 1994. Offsetting these reductions to cash was a decrease in accounts receivables which was attributable to lower sales for the second quarter of 1995 as compared to the fourth quarter of 1994.

The Company's cash management practice has been to invest mainly in medium to high-grade municipal securities and United States Treasury and United States Government Agency securities, with maturities ranging from 90 days to three years.

V BAND CORPORATION

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.

V BAND CORPORATION

-----  
(Registrant)

Date: June 9, 1995

/s/ Thomas E. Feil

-----  
Thomas E. Feil  
Chairman & Chief Executive Officer  
(Duly Authorized Officer)

Date: June 9, 1995

/s/ George J. Rogers

-----  
George J. Rogers  
Chief Financial Officer  
(Principal Accounting Officer)



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