

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-02-08** | Period of Report: **1995-12-31**
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FILER

NOVITRON INTERNATIONAL INC

CIK: **716646** | IRS No.: **042573920** | State of Incorpor.: **DE** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **000-12716** | Film No.: **96512974**
SIC: **3826** Laboratory analytical instruments

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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 the Quarterly Period Ended December 31, 1995

or

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

For the transition period from to

For Quarter Ended Commission File Number
December 31, 1995 0-12716

Novitron International, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware 04-2573920
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

One Gateway Center, Suite 411, Newton, MA. 02158
(Address of principal executive offices) (Zip Code)

Registrant's Telephone number, including area code:
(617) 527-9933

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 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

The number of shares of common stock outstanding, as of February 2, 1996 is 3,965,940.

Novitron International, Inc. AND SUBSIDIARIES

FORM 10-Q

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Novitron International, Inc. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS

<CAPTION>

	December 31, 1995	March 31, 1995
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 963,662	\$ 2,508,345
Marketable securities	399,259	-
Accounts receivable, less reserves of \$113,000 at December 31, 1995 and \$112,000 at March 31, 1995, respectively	4,932,748	4,046,517
Inventories	5,495,485	5,266,981
Prepaid expenses	170,247	490,277
Other current assets	1,771	5,764
Total current assets	11,963,172	12,317,884
EQUIPMENT, at cost:		
Manufacturing and computer equipment	3,091,926	3,098,212
Furniture and fixtures	842,059	852,240
Leasehold improvements	273,893	278,297
Vehicles	105,277	100,946
	4,313,155	4,329,695
Less-Accumulated depreciation and amortization	3,410,019	3,153,830
	903,136	1,175,865
OTHER ASSETS	1,468,542	1,580,997
	\$ 14,334,850	\$ 15,074,746

</TABLE>

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

<TABLE>

Novitron International, Inc. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' INVESTMENT

<CAPTION>

	December 31, 1995	March 31, 1995
<S>	<C>	<C>
CURRENT LIABILITIES:		
Short-term notes payable and current portion of long-term debt	\$ 1,517,220	\$ 533,951
Accounts payable	2,989,089	3,810,884
Accrued expenses	1,106,432	1,444,255
Customer advances	242,858	235,471
Accrued income taxes	357,708	718,640
Total current liabilities	6,213,307	6,743,201
LONG-TERM DEBT, net of current portion	95,673	97,766
MINORITY INTEREST	258,874	252,734
COMMITMENTS AND CONTINGENCIES (Notes 4 and 7)		
STOCKHOLDERS' INVESTMENT:		
Preferred stock, \$.01 par value:		
Authorized--1,000,000 shares		
Issued and outstanding--none		
Common stock, \$.01 par value:		
Authorized--6,000,000 shares		
Issued and outstanding		
3,965,940 at December 31, 1995		
and March 31, 1995	39,660	39,660
Capital in excess of par value	4,855,950	4,855,950
Cumulative translation adjustment	974,964	1,068,490
Retained Earnings	1,896,422	2,016,945
Total stockholders' investment	7,766,996	7,981,045
	\$ 14,334,850	\$ 15,074,746

</TABLE>

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

<TABLE>

Novitron International, Inc. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>	For Three Months		For the Nine Months	
	Ended December 31,		Ended December 31,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
REVENUES	\$4,920,022	\$3,747,551	\$12,761,842	\$12,900,520
COST OF REVENUES	3,543,266	2,720,563	9,029,030	8,920,021
Gross profit	1,376,756	1,026,988	3,732,812	3,980,499
OPERATING EXPENSES:				
Sales & marketing	319,069	359,261	953,733	899,358
Research and development	350,821	281,749	996,917	890,576
General and administrative	584,479	615,485	1,678,136	1,961,676
	1,254,369	1,256,495	3,628,786	3,751,610
Income (loss) from operations	122,387	(229,507)	104,026	228,889
Interest Expense	(35,436)	(16,661)	(79,491)	(21,000)
Interest Income	13,815	27,278	53,755	52,927
Other Income (Expense)	42,898	(14,801)	(38,730)	19,352
	143,664	(233,691)	39,560	280,168
Provision for Income Taxes	67,170	56,238	140,016	142,294
	76,494	(289,929)	(100,456)	137,874
Minority Interest	16,608	5,901	20,067	12,838
Net income (loss)	\$ 59,886	\$ (295,830)	\$ (120,523)	\$ 125,036

Net income (loss) per share	\$ 0.02	\$ (0.07)	\$ (0.03)	\$ 0.03
Weighted Average Common Shares Outstanding	3,965,940	3,958,826	3,965,940	3,981,418

</TABLE>

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

<TABLE>

Novitron International, Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
FOR THE YEARS ENDED MARCH 31, 1995 AND 1994
AND THE NINE MONTHS ENDED DECEMBER 31, 1995 (unaudited)

<CAPTION>

	Common Stock		Capital in	Cumulative	Treasury	Retained
	Number	Par Value	Excess of Par	Translation	Stock, at	Earnings
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE at March 31, 1993	3,966,039	\$ 39,660	\$ 4,896,280	\$ 248,499	-	\$ 3,366,324
Sale of common stock	12,500	126	2,918	-	-	-
Issuance of common stock in connection with the acquisition of additional interest in NovaChem	46,500	465	214,597	-	-	-
Purchase of treasury stock	-	-	-	-	(330,550)	-
Translation adjustment	-	-	-	(277,094)	-	-
Net loss	-	-	-	-	-	(1,121,144)
BALANCE at March 31, 1994	4,025,039	\$ 40,251	\$ 5,113,795	\$ (28,595)	\$ (330,550)	\$ 2,245,180
Sale of common stock	15,201	152	17,212	-	-	-
Issuance of common stock in connection with the acquisition of additional interest in NovaChem	11,000	110	56,140	-	-	-
Retirement of treasury stock	(85,000)	(850)	(329,700)	-	330,550	-
Retirement of common stock	(300)	(3)	(1,497)	-	-	-
Translation adjustment	-	-	-	1,097,085	-	-
Net loss	-	-	-	-	-	(228,235)
BALANCE at March 31, 1995	3,965,940	\$ 39,660	\$ 4,855,950	\$ 1,068,490	-	\$ 2,016,945
Translation adjustment	-	-	-	(93,526)	-	-
Net loss	-	-	-	-	-	(120,523)

BALANCE at December 31, 1995	3,965,940	\$ 39,660	\$ 4,855,950	\$ 974,964	-	\$ 1,896,422
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</TABLE>

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

<TABLE>

Novitron International, Inc. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31,

<CAPTION>

	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Net income (loss)	\$ (120,523)	\$ 125,036
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities -		
Depreciation and amortization	430,280	413,883
Minority interest	20,067	12,838
Accounts receivable	(1,039,542)	(810,745)
Inventories	(419,633)	(500,496)
Prepaid expenses	305,769	153,084
Other current assets	3,993	12,357
Accounts payable	(694,401)	110,587
Accrued expenses	(292,412)	(243,905)
Customer advances	15,907	(184,613)
Accrued income taxes	(336,197)	(696,420)
Net cash provided by (used in) operating activities	(2,126,692)	(1,608,394)
CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Marketable securities	(399,259)	278,715
Other assets	816	46,437
Purchases of equipment	(151,996)	(296,873)
Sales of equipment	11,403	48,969
Investment in NovaChem BV	-	(51,520)
Other, including foreign exchange effects on cash	108,263	48,325
Net cash provided by (used in) investing activities	(430,773)	74,053

</TABLE>

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<TABLE>

Novitron International, Inc. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31,

(Continued)

<CAPTION>

	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM		
FINANCING ACTIVITIES:		

Proceeds from short-term debt	\$ 1,011,385	\$ 5,680
Proceeds from (payments on)		
long-term debt	1,397	(6,489)
Sale of common shares	-	66,739
Net cash provided by		
financing activities	1,012,782	65,930
NET DECREASE IN		
CASH AND CASH EQUIVALENTS	(1,544,683)	(1,468,411)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	2,508,345	3,407,537
CASH AND CASH EQUIVALENTS		
AT December 31, 1995 and 1994	\$ 963,662	\$ 1,939,126

</TABLE>

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

Novitron International, Inc. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1995

Basis of Presentation

The consolidated financial statements included herein were prepared by Novitron International, Inc. ("the Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information normally included in footnote disclosures in financial statements prepared in accordance with generally accepted accounting principles was condensed or omitted pursuant to such rules and regulations. In management's opinion, the consolidated financial statements and footnotes reflect all adjustments necessary to disclose adequately the Company's financial position at December 31, 1995 and December 31, 1994. Management suggests these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1995.

(1) Operations and Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries: Clinical Data BV, Clinical Data (Australia), Pty. Ltd., NovaChem BV, Spectronetics NV, and Vital Scientific NV (94% owned subsidiary). All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market, and consist of cash and marketable financial instruments with original maturities of 90 days or less. Cash and cash equivalents consist of the following at December 31, and March 31, 1995:

<TABLE>

<CAPTION>

	December 31, 1995	March 31, 1995
<S>	<C>	<C>
Cash and money market	\$ 763,662	\$ 1,782,470
investments		
Certificate of deposit	200,000	408,757

U.S. Treasury securities	-	295,828
Time deposits	-	21,290
	\$ 963,662	\$ 2,508,345

</TABLE>

Novitron International, Inc. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1995
(Continued)

(c) Marketable Securities

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115") effective April 1, 1994. Under SFAS No. 115, marketable securities which the Company has the ability and positive intent to hold to maturity are recorded at amortized cost and classified as "held to maturity" securities. The adoption of SFAS No. 115 did not have a material effect on the Company's financial position or results of operations.

(d) Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, include material, labor and manufacturing overhead, and consist of the following at:

<TABLE>

<CAPTION>

<S>	December 31, 1995	March 31, 1995
	<C>	<C>
Raw materials	\$ 1,235,365	\$ 1,072,724
Work-in-process	3,098,183	3,439,258
Finished goods	1,161,937	754,999
	\$ 5,495,485	\$ 5,266,981

(e) Revenue Recognition

The Company recognizes revenue from the sale of products and supplies at the time of shipment.

(f) Net Income (Loss) per Share

Net income or (loss) per share for the three and nine month periods ended December 31, 1995 and 1994 is based on the weighted average number of common shares outstanding during the respective fiscal period. Common stock equivalents are not used in the computation of net income per share for the three month period ended December 31, 1995 and the nine month period ended December 31, 1994 as the resulting dilution is less than 3%.

Novitron International, Inc. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1995
(Continued)

(g) Foreign Currency Translation

The Company accounts for foreign currency transaction and translation gains and losses in accordance with SFAS No. 52, "Foreign Currency Translation." The functional currency of the Company's foreign subsidiaries is the Dutch Guilder. The translation adjustment required to report these subsidiaries' financial statements in U.S. Dollars is credited or charged to cumulative translation adjustment, included as a separate component of stockholders' investment in the accompanying consolidated balance sheets. Gains and losses resulting from translating asset and liability accounts which are denominated in currencies other than the

functional currency are included in other income. Foreign currency transaction gains and losses are included in other income in the consolidated statements of operations.

(2) Investment in NovaChem BV

From June 1992 through March 1995, the Company made investments in certain securities of NovaChem BV. As of March 31, 1995, the Company owns all of the outstanding stock of NovaChem BV. In connection with the Company's purchase of NovaChem BV's stock, the Company has recorded goodwill of \$981,250, which represents the excess of the consideration paid over the fair value of the net assets acquired.

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

Third Quarter ended December 31, 1995 compared to the Third Quarter ended December 31, 1994

Revenue for the three month period ending December 31, 1995 increased 31.0% from the same period one year ago, whereas the nine month year-to-date sales showed a decline of 1.0% from the corresponding period ending December 31, 1994. The increase in revenues for the three month period was primarily due to a 40.0% increase in sales at Vital Scientific coupled with an 11.0% strengthening of the Dutch Guilder (the Company's functional currency) against the United States Dollar offset by the fiscal year 1995 completion of a major contract for NovaChem technology. The decrease in revenue for the nine months ended December 31, 1995 and 1994 was primarily due to the aforementioned completed contract offset by the 11.0% increase in the guilder against the dollar.

The gross margin showed an improvement from 27.4% to 28.0% for the three month period ending December 31, 1994 and 1995, respectively; whereas there was a decrease in the margin from 30.9% to 29.3% for the year-to-date numbers. The quarterly improvement resulted from reduced manufacturing costs which are expected to continue.

Sales and marketing expenses have increased 6.1% for the nine month comparatives and have decreased 11.2% on a quarterly basis. The increase was primarily attributable to the 11.0% strengthening of the guilder against the dollar. On a quarterly basis, the decrease was largely due to reduced sales commissions at Clinical Data (Australia) Pty. Ltd.

Research and development expenses increased 11.9% for the nine month period ending December 31 and 24.5% for the three month period. For the year-to-date comparatives, the noted increase was due to the strengthening of the functional currency against the dollar. The quarterly increase was affected by the aforementioned currency fluctuation and by the timing of certain research and development expenses at Vital Scientific and NovaChem BV.

General and administrative expenses have decreased 5.0% on a quarterly basis and 14.4% for the nine month comparatives. The declines was due to the fiscal year 1995 completion of a major contract at NovaChem coupled with a reduction of administrative expenses.

Interest income decreased 49.4% for the quarter ended December 31 because of fewer funds were available for investment. Comparatives for the year-to-date showed an increase of 1.6% which was partially due to the strengthening of the functional currency against the dollar and from the increased rates of return from the same period last year. Interest expense increased 112.7% for the quarter and 278.5% for the nine month period because of the need for additional borrowings. Other income and expense consisted primarily of the effect of foreign currency transaction gains and

losses on the results of operations.

For the quarters ended December 31, 1995 and 1994, minority interest was attributable to the 6.0% of Vital Scientific NV not held by the Company. In October 1994, the Company increased its ownership of NovaChem BV to 60.0% and acquired the remaining 40.0% at March 31, 1995. In accordance with APB No. 18 and Accounting Research Bulletin No. 51, the Company has recorded 100.0% of the losses incurred during the nine months ending December 31, 1994, approximately \$137,000.

Financial Condition and Liquidity

The decrease in working capital since the Company's fiscal year ended March 31, 1995 was primarily accounted for by (i) an increase in accounts receivable, (ii) an increase in marketable securities, (iii) an increase in inventory levels, (iv) a decrease in accounts payable, (v) a decrease in taxes payable, and (vi) a decrease in accrued liabilities offset by an increase in short-term borrowings.

The Company believes that its available funds will continue to provide for working capital requirements. Approximately \$1.3 million of the \$1.4 million of cash and cash equivalents and marketable securities is denominated in U.S. Dollars. The effect of translation into U.S. Dollars is reflected as a separate component of stockholders' investment in the balance sheet. The cumulative translation exchange adjustment in stockholders' investment is \$974,964 at December 31, 1995 and \$1,068,490 at March 31, 1995. Any impact on the Company's liquidity is largely dependent on the exchange rates in effect at the time the functional currency (Dutch Guilder) is translated to U.S. Dollars. The effects of currency exchange rates on future quarterly or fiscal periods on the results of operations and liquidity are difficult to estimate.

There are no formal hedging procedures employed by the Company. The primary risk is to monetary assets and liabilities denominated in currencies other than the U.S. Dollar. Approximately \$11.0 million of the \$12.0 million of current assets reside in the Company's foreign subsidiaries.

Part II. OTHER INFORMATION

Item 1:

A former principal of a subsidiary has filed suit with the Attorney General of Massachusetts claiming back wages are due on an alleged employment agreement as signed by another former principal in the amount of \$79,750 plus severance. The Company has notified the Attorney General that the claim is without merit and is a fraud. The Company intends to vigorously defend against the allegation and is seeking criminal prosecution of both principals.

Items 2 - 6:

None

Signature

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

Novitron International, Inc.
(Registrant)

Date: February 8, 1996

Israel M. Stein MD
Israel M. Stein MD
President

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<CIK> 0000716646

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