

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

DOTRONIX INC

CIK: **351809** | IRS No.: **411387074** | State of Incorporation: **MN** | Fiscal Year End: **0630**
Type: **10QSB** | Act: **34** | File No.: **000-09996** | Film No.: **95535969**
SIC: **3670** Electronic components & accessories

Mailing Address
*160 FIRST STREET SE
NEW BRIGHTON MN 55112*

Business Address
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NEW BRIGHTON MN
55112-7894
6126331742*

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D. C. 20549

Quarterly Report Under Section 13 or 15 (d)
 of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1995 Commission File No. 0-9996

DOTRONIX, INC.

(Exact name of registrant as specified in its charter)

Minnesota	41-1387074
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

160 First Street S.E. New Brighton, Minnesota	55112
-----	-----
(Address of principal executive offices)	(Zip Code)

(612) 633-1742

 (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
-----	-----

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

Class	Outstanding at April 28, 1995
-----	-----
Common stock, par value \$.05 per share	4,101,696

DOTRONIX , INC.

INDEX

<TABLE>

<CAPTION>

Part I - Financial Information

Page (s)

<S> <C>

Item 1. Financial Statements (Unaudited)

Balance Sheets	1
Statements of Operations	2
Statements of Cash Flows	3
Notes to Financial Statements	4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	5-6
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Part II - Other Information

Item 6. (b) Reports on Form 8-K	7
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</TABLE>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOTRONIX, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	March 31, 1995	June 30, 1994
	(Unaudited)	
	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,011,529	\$ 578,592
Accounts receivable, less allowance, for doubtful accounts of \$143,952 and \$162,444, respectively	2,131,195	2,288,382
Inventories:		
Raw materials	3,791,746	3,659,875
Work-in-process	530,990	643,546
Finished goods	558,336	368,312
Total inventories	4,881,072	4,671,733
Prepaid expenses	86,549	71,939
Total current assets	9,110,345	7,610,646

PROPERTY, PLANT & EQUIPMENT, at cost net of accumulated depreciation of \$4,957,176 and \$4,727,961, respectively	1,349,641	1,519,823
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired, less amortization	863,972	917,970
Non-compete agreements, less amortization	16,250	27,500
Other	75,827	3,155
	-----	-----
TOTAL ASSETS	\$11,416,035	\$10,079,094
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Revolving and demand loans	\$ 1,865,200	\$ 791,029
Accounts payable	1,130,857	1,188,170
Salaries, wages and payroll taxes	440,840	262,577
Other accrued liabilities	245,331	173,106
Current portion of long-term debt		368,865
Current portion of long-term debt with related parties		50,936
	-----	-----
Total current liabilities	3,682,228	2,834,683
LONG-TERM DEBT, less current portion		387,063
LONG-TERM DEBT WITH RELATED PARTIES, less current portion		46,078
STOCKHOLDERS' EQUITY:		
Common stock, \$.05 par value	205,085	188,585
Additional paid-in capital	10,871,265	10,557,765
Accumulated deficit	(3,342,542)	(3,935,080)
	-----	-----
Total stockholders' equity	7,733,808	6,811,270
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$11,416,035	\$10,079,094
	=====	=====

</TABLE>

The balance sheet at June 30, 1994 has been taken from the audited financial statements at that date.

See notes to financial statements.

1.

DOTRONIX, INC.
STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

Three months ended March 31,		Nine months ended March 31,	
-----	-----	-----	-----
1995	1994	1995	1994

<S>	<C>	<C>	<C>	<C>
REVENUES:	\$3,510,690	\$ 3,783,098	\$12,060,871	\$10,837,026
OPERATING EXPENSES:				
Cost of Sales	2,378,443	2,859,181	8,368,523	8,097,724
Selling, general and administrative	958,679	1,114,661	2,920,638	3,135,719
Interest	62,356	39,414	179,172	129,202
Total operating expenses	3,399,478	4,013,256	11,468,333	11,362,645
Net income (loss)	\$ 111,212	\$ (230,158)	\$ 592,538	\$ (525,619)
Net income (loss) per common and common equivalent share	\$.03	\$ (.06)	\$.15	\$ (.14)
Average number of common and common equivalent shares outstanding	4,191,823	3,771,696	4,047,845	3,769,470

See notes to financial statements.

2.

DOTRONIX, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Nine months ended March 31,	
	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 592,538	\$ (525,619)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	299,843	388,873
Provision for loss on accounts receivable	90,000	90,000
Common stock grant		6,250

Changes in assets and liabilities:		
Accounts receivable	67,188	(527,311)
Inventories	(209,339)	(51,525)
Prepaid expenses	(14,610)	(22,250)
Other assets	(72,672)	6336
Accounts payable and accrued liabilities	193,175	645,216
	-----	-----
Net cash provided by operating activities	946,123	10,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(64,415)	(71,391)
	-----	-----
Net cash used in investing activities	(64,415)	(71,391)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	330,000	
Borrowings on revolving and demand loans	13,352,510	10,082,082
Repayments on revolving and demand loans	(12,278,339)	(10,384,633)
Payments on other long-term obligations	(132,942)	(43,162)
Payments on bank loans	(720,000)	(275,557)
	-----	-----
Net cash provided by (used in) financing activities	551,229	(621,270)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,432,937	(682,661)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	578,592	1,191,902
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,011,529	\$ 509,241
	=====	=====

</TABLE>

See notes to financial statements.

3.

DOTRONIX, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

A. Basis of Presentation

The balance sheet as of March 31, 1995, the statements of operations for the three and nine month periods ended March 31, 1995 and 1994 and the statements of cash flows for the nine month periods then ended have been prepared by the Company without audit. In the opinion of management, all

adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1995, and for all periods presented, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the Company's financial statements and notes thereto included in the Annual Report on Form 10-KSB of the Company for the fiscal year ended June 30, 1994.

4.

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

RESULTS OF OPERATIONS

Revenue decreased 7% and increased 11%, respectively, for the quarter and nine months ended March 31, 1995 compared to the prior year. As expected sales volume was soft in the third quarter due to the normal late holiday slowdown. The increase for the nine month period is due to very favorable acceptance of large screen color displays for the multi-media market during the first and second quarters. The Company expects flat sales for the fourth quarter compared to a year ago but improved net income due to higher gross margins.

Gross margin percentage for the quarter was 32% compared to 24% for the quarter ended March 31, 1994. Gross margin for the nine month period was 31% compared to 25% in the prior year period. The increases are due primarily to the sales growth explained above, favorable product mix, product cost reductions through aggressive value engineering programs and overhead cost containment efforts put in place during fiscal 1994.

Selling, general and administrative expenses decreased \$155,982, or 14% for the quarter and \$215,081 or 7% for the nine months ended March 31, 1995, from the comparable prior year periods due mainly to lower amortization expenses and reduced payroll costs due to personnel cutbacks in all administrative areas partially offset by payments and accruals made under the Company's bonus plans.

Interest expense increased \$22,942 and \$49,970 for the three and nine month periods, respectively, compared to the prior year periods due to increases in interest rates and higher borrowing levels on the Revolving Working Capital Loan.

There is no income tax charge because the Company has available the tax benefit of operating loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

On October 3, 1994, the Company entered into Amendment Number 3 to the Revolving Working Capital Loan commitment which had been in effect since October 10, 1991. This amendment provided for the payoff of all of the Company's other existing debt and consolidated it into two demand loans totaling \$657,000 and a revolving loan with a maximum availability of \$4,000,000. The loans continue to bear interest at 3% over the base rate (12% at March 31, 1995) and are secured by all assets of the Company. The monthly principal payment on the demand loans is

\$10,950. The amendment also provides for a total minimum monthly interest payment based on the higher of the average daily outstanding principal balance or \$2,000,000. The agreement now has an expiration date of October 11, 1997.

5.

The Company believes the amended agreement and consolidation of debt improved the Company's liquidity and resources through more favorable payment terms than its previous debt structure. Future amounts available to it under this agreement should be adequate to meet both short and long term capital needs.

During the nine months ended March 31, 1995 operations provided cash of \$946,000, primarily from net income and non-cash charges for depreciation and amortization offset by an increase in inventories. The Company received \$330,000 from the issuance of 330,000 shares of common stock upon exercise of warrants. Net borrowings on debt amounted to \$521,000 and purchases of property, plant and equipment used \$64,000. The overall result was to increase cash by \$1,433,000.

At March 31, 1995 working capital amounted to \$5,428,000.

6.

PART II - OTHER INFORMATION

Item 6. (b) Reports on Form 8-K

No reports on Form 8-K were issued during the quarter.

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.

Date: May 5, 1995

DOTRONIX, INC.

By /s/ William S. Sadler,

William S. Sadler,
President and Treasurer
(Principal Executive
Officer)

By /s/ Warren M. White

Warren M. White,
Vice President Finance
(Principal Financial and
Accounting Officer)

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