

SECURITIES AND EXCHANGE COMMISSION

Washington, DC

FORM 10-Q

(Mark One)

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

For the fiscal quarter ended September 30, 2000

[ ] 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 0-7087

ASTRONICS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

New York

(State or Other Jurisdiction of Incorporation or Organization)

16-0959303

(I.R.S. Employer Identification No.)

1801 Elmwood Avenue, Buffalo, New York

(Address of Principal Executive Office)

14207

(Zip Code)

716-447-9013

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(g) of the Act:

\$.01 par value Common Stock, \$.01 par value Class B Stock

(Title of Class)

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 X No   

As of September 30, 2000, 5,038,237 shares of \$.01 par value common stock and 653,751 shares of \$.01 par value Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ASTRONICS CORPORATION

Consolidated Balance Sheet

September 30, 2000

With Comparative Figures for December 31, 1999

(Dollars in Thousands)

September 30, 2000    December 31,  
(Unaudited)            1999

-----            ----

Current Assets:

Cash ..... \$ 31    \$ 1,153  
Accounts receivable ..... 9,952    6,852

Inventories .....	12,087	8,721
Prepaid expenses .....	281	455
	-----	-----
Total current assets .....	22,351	17,181
Property, Plant and Equipment, at cost .....	59,864	55,956
Less accumulated depreciation and amortization .....	22,374	19,787
	-----	-----
Net property, plant and equipment .....	37,490	36,169
Unexpended Industrial Revenue Bond Proceeds .....	1,996	3,508
Other Assets .....	5,127	2,994
	-----	-----
	<u>\$ 66,964</u>	<u>\$ 59,852</u>
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations .....	\$ 948	\$ 762
Accounts payable .....	6,661	8,560
Accrued expenses .....	2,194	2,416
	-----	-----
Total current liabilities .....	9,803	11,738
Long-term debt and capital lease obligations .....	21,189	15,947
Other Liabilities .....	4,545	4,330
Shareholders' Equity:		
Common stock, \$.01 par value		
Authorized 10,000,000 shares, issued		
5,886,802 in 2000, 5,859,823 in 1999 .....	54	53
Class B common stock, \$.01 par value		
Authorized 5,000,000 shares, issued		
719,126 in 2000, 734,037 in 1999 .....	6	7
Additional paid-in capital .....	2,937	2,912
Other Comprehensive Income (loss) .....	(2)	-
Retained earnings .....	29,293	25,727
	-----	-----
	32,288	28,699
Less shares in Treasury, at cost .....	862	862
	-----	-----
Total shareholders' equity .....	31,426	27,837
	-----	-----
	<u>\$ 66,964</u>	<u>\$ 59,852</u>

See notes to financial statements.

## ASTRONICS CORPORATION

### Consolidated Statement of Income and Retained Earnings Period Ended September 30, 2000 With Comparative Figures for 1999

	(Dollars in Thousands)			
	(Unaudited)			
	NINE MONTHS		THREE MONTHS	
2000	1999	2000	1999	
----	----	----	----	
Net Sales .....	\$ 48,659	\$ 35,475	\$ 17,408	\$ 12,017
Costs and Expenses:				
Cost of products sold .....	36,383	25,097	12,718	8,537
Selling, general and administrative expenses .....	6,636	5,784	2,376	1,744
Interest expenses, net of interest income of \$127 in 2000 and \$75 in 1999 .....	428	147	179	59
	-----	-----	-----	-----
Total costs and expenses .....	43,447	31,028	15,273	10,340
Income before taxes .....	5,212	4,447	2,135	1,677
Provision for income taxes .....	1,646	1,485	695	544
	-----	-----	-----	-----
Net Income .....	3,566	2,962	1,440	1,133
Retained Earnings:				
January 1 .....	25,727	20,932		
	-----	-----		
September 30 .....	\$ 29,293	\$ 23,894		
	=====	=====		
Earnings per share:				
Basic .....	\$ .57	\$ .48	\$ .24	\$ .18
	-----	-----	-----	-----
Diluted .....	\$ .54	\$ .45	\$ .22	\$ .17
	=====	=====	=====	=====

See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Statement of Cash Flows  
 Nine Months Ended September 30, 2000  
 With Comparative Figures for 1999

(Dollars in Thousands)  
 (Unaudited)  
 2000 1999  
 ---- ----

Cash Flows from Operating Activities:		
Net income .....	\$ 3,566	\$ 2,962
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	3,012	2,647
Other .....	363	289
Cash flows from changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable .....	(2,147)	(1,130)
Inventories .....	(2,594)	(3,806)
Prepaid expenses .....	238	879
Accounts payable .....	(2,239)	4,412
Accrued expenses .....	(365)	646
Net Cash provided by Operating Activities .....	\$ (166)	\$ 5,607
Cash Flows from Investing Activities:		
Change in other assets .....	(658)	(419)
Capital expenditures .....	(3,648)	(11,567)
Net payment for businesses acquired .....	(3,616)	-
Net Cash provided (used) by Investing Activities ....	\$ (7,922)	\$(11,986)
Cash Flows from Financing Activities:		
New long-term debt .....	5,783	1,800
Principal payments on long-term debt and capital lease obligations .....	(354)	(351)
Unexpended industrial revenue bond proceeds .....	1,513	4,657
Proceeds from issuance of stock .....	24	304
Net Cash provided by Financing Activities .....	\$ 6,966	\$ 6,410
Net increase (decrease) in Cash and Cash Equivalents ...	(1,122)	31
Cash and Cash Equivalents at Beginning of Year .....	1,153	523
Cash and Cash Equivalents at September 30 .....	\$ 31	\$ 554
Disclosure of cash payments for:		
Interest .....	\$ 547	\$ 189
Income taxes .....	1,588	1,567

See notes to financial statements.

ASTRONICS CORPORATION

Notes to Financial Statements  
 September 30, 2000

1) The accompanying unaudited statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. Operating results for the nine-month period ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000.

The balance sheet at December 31, 1999 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 1999 annual report.

2) Inventories are stated at the lower of cost or market, cost being determined in accordance with the first-in, first-out method. Inventories are as follows:

ASTRONICS CORPORATION

Notes to Financial Statements (Continued)  
September 30, 2000

(in thousands)

	September 30, 2000 (Unaudited)	December 31, 1999
Finished Goods	\$ 2,555	\$ 1,936
Work in Progress	2,221	1,476
Raw Material	7,331	5,309
	<u>\$12,087</u>	<u>\$ 8,721</u>

3) The Company operates in two areas: Aerospace and Electronics, and Printing and Packaging. Astronics' Aerospace and Electronics segment designs and manufactures special lighting systems for aircraft cockpits, cabins, and exterior environments. The segment also manufactures electroluminescent (EL) lamps used to backlight liquid crystal displays, which are used in watches, portable telephones, pagers, and personal digital assistants (PDAs). Astronics' Printing and Packaging segment involves the design, manufacturing and marketing of folding paperboard packaging for customers' delivery of their products and high quality custom imprinting of napkins, invitation and other paper products. The Company is a leading provider of custom folding boxes in its chosen markets.

(in thousands)

	Nine Months Ended September 30, 2000		Nine Months Ended October 2, 1999	
	Aerospace and Electronics	Printing and Packaging	Aerospace and Electronics	Printing and Packaging
Sales to external customers	\$ 30,493	\$ 18,166	\$ 18,553	\$ 16,922
Income before taxes	2,855	2,426	2,295	2,027

	Three Months Ended September 30, 2000		Three Months Ended October 2, 1999	
Sales to external customers	\$ 10,531	\$ 6,877	\$ 5,466	\$ 6,539
Income before taxes	918	1,213	436	1,037

	September 30, 2000		December 31, 1999	
Segment assets	\$ 37,516	\$ 28,084	\$ 30,831	\$ 26,445

The Aerospace and Electronics segment acquired two businesses during the Second Quarter with assets of \$4,645,000, accounting for a significant portion of the increase in segment assets. These businesses integrate with the F-16 program.

A reconciliation of combined income before taxes for the nine-month period is as follows:

	Nine Months Ended	
	September 30, 2000	October 2, 1999
Income before taxes from segments	\$5,281	\$2,662
Corporate expenses, net	(69)	108
Income before taxes	<u>\$5,212</u>	<u>\$2,770</u>

4) Shareholders of record on October 19, 2000 received a 10% stock distribution. All share and per share data has been adjusted to reflect this distribution.

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

The following table sets forth as a percent of net sales certain items reflected in the financial data and the percentage increase (decrease) of such items as compared to the prior period.

	Percent of Net Sales		Period-to-Period
	Nine months ended September 30,		Increase (Decrease)
	2000	1999	1999-2000
Net Sales:			
Aerospace and Electronics	62.7%	52.3%	64.7%
Printing and Packaging	37.3	47.7	7.4%
	100.0%	100.0%	37.2%
Cost of products sold	74.8	70.8	23.2%
Selling, general and administrative expenses	13.6	16.3	14.7%
Interest expenses, net	.9	.4	191.2%
	89.3%	87.5%	40.0%
Income before provision for income taxes	10.7%	12.5%	17.2%
Provision for taxes	3.4	4.2	10.8%
Net Income	7.3%	8.3%	20.4 %

### *INTRODUCTION AND RECENT DEVELOPMENTS*

Astronics Corporation operates in two business segments: Aerospace and Electronics, and Printing and Packaging.

On August 22, 2000, Astronics announced that the United States Air Force awarded the Aerospace and Electronics segment three additional contracts totaling \$5,600,000 related to the Company's F-16 night vision modification program.

In May 2000, the Aerospace and Electronics segment acquired cockpit indicator technology for the F-16 program and CRL Technologies ("CRL") in Quebec, Canada. CRL designs and manufactures lighted keyboards on avionics equipment and in aircraft cockpits. Total cash invested for both these acquisitions was \$3,616,000.

### *SALES*

Sales set a new record for Third Quarter, and for the nine-month period ended September 30, 2000. Sales increased for the Quarter by 44.9% in 2000, and 2.8% in 1999. Sales for the nine-month period in 2000 increased 37.2%, compared to 7.4% for 1999.

Sales in the Aerospace and Electronics business segment increased 64.7% for the 2000 nine-month period, compared to a 5% increase for 1999. Revenues for the Third Quarter 2000 compared to the Third Quarter 1999 increased 92.7%. Sales in 2000 for both the Quarter and the nine-month period have increased mainly as a result of the F-16 program, which began shipments in the Third Quarter of 1999. F-16 sales for the 2000 nine-month period were \$10,805,000 compared to \$950,000 for the 1999 nine-month period. F-16 sales for the Third Quarter 2000 were \$3,495,000 compared to \$950,000.

Sales in the Printing and Packaging segment increased 7.4% for the nine-month period of 2000 compared to a 10.1% increase for 1999. In the 2000 Quarter sales increased 5.2% over the 1999 Quarter. New e-commerce based initiatives accounted for 40% of the increase in 2000. Meanwhile, this segment continues to expand its market share through focus on customer service with on-time deliveries, high quality products and short turnaround times.

### *BACKLOG*

The Company's backlog increased 14% compared to the 1999 level to a new record of \$49,000,000. The backlog is composed of \$46,000,000 in the Aerospace and Electronics segment and \$3,000,000 in the Printing and Packaging segment. Approximately \$13,000,000 of the Aerospace and Electronics backlog is scheduled to ship in the Fourth Quarter 2000. Virtually all of the Printing and Packaging backlog will ship in the Fourth Quarter 2000.

### *EXPENSES*

Cost of products sold increased to 74.8% of sales in 2000 compared to 70.7% of sales in 1999. The major increase was in material costs, which increased to 31.9% of sales in 2000 compared to 19.8% in 1999. This increase reflects the higher material content on F-16 sales. To date, a substantial portion of material for the sales of F-16 modification kits was outsourced, thereby driving up the material costs. Although the Company has nearly completed the process of producing more of the parts internally, the Third Quarter 2000 was a transition stage and was not benefited significantly. Employee costs as a percentage of sales were lower in 2000, reflecting dilution from the high purchased material content of the F-16 shipments. Employee costs in 2000 were 25.4% of sales, compared to 29.8% of sales in 1999. Supply costs, facility costs and depreciation as a percent of sales were likewise diluted to 17.5% in 2000, compared to 21.1% in 1999.

Cost of products in total and by component for 1999 were comparable to 1998 levels for both the Quarter and nine-month periods.

Selling, general and administrative expenses decreased as a percentage of sales: to 13.6% in 2000 and 16.3% in 1999. The major factor in 2000 is the substantial sales increase which required very modest additional selling, general, and administrative costs. The majority of these costs are for employee services, marketing expenses and operating supplies.

Earnings before interest and taxes (EBIT) for the Third Quarter of 2000 was \$2,314,000, or 13.3% of sales, compared to \$1,736,000, or 14.5% of sales, in 1999. EBIT as a percent of sales for the nine-month period in 2000 was 11.6% compared to 12.9% in 1999. The decline in this margin is due to lower margins on the F-16 contract ramp-up compared to margins on the Company's other products.

#### *INTEREST*

Interest costs, net, increased in 2000 due to higher rates and increased levels of borrowings for facilities, equipment, working capital and acquisitions. Net interest expense was 0.9% of sales for the 2000 Third Quarter compared to 0.4% of sales for the 1999 Quarter.

#### *INCOME BEFORE TAXES*

Income before taxes for the 2000 nine-month period was 10.7% of sales compared to 1999's 12.5% of sales. For the Third Quarter, income before taxes was 12.3% of sales compared to 14.0% for 1999.

#### *TAXES*

The Company's tax provision as a percent of sales decreased in 2000 as a percent of sales compared to 1999, reflecting the lower pretax margins as well as a lower effective tax rate as a result of favorable adjustments from estimated provisions recorded mainly in the First Quarter of 2000.

#### *NET INCOME*

Net income for the Third Quarter of 2000 established a new record for the Quarter: \$1,440,000, or \$.22 per diluted share. This breaks the record set in 1999 of \$1,133,000, or \$.17 per diluted share.

#### *LIQUIDITY*

Cash used in operating activities was \$166,000 during the nine months of 2000 and is down from the First Half's cash usage of \$1,001,000.

The Company's capital expenditures were down sharply from 1999 levels, reflecting the timing of facilities acquisitions. This was offset somewhat by \$3,616,000 expended for acquisitions. Financing activities in 2000 reflect the increased usage of the Company's revolving line of credit for operating and investment needs.

The Company has a \$12,000,000 revolving line of credit, of which it had utilized \$7,119,000 at September 30, 2000, compared to \$4,500,000 at October 2, 1999. The Company believes that cash balances at September 30, 2000, cash flow from operations and availability on the revolving line of credit are adequate to meet the Company's operational and investment plans for 2000.

#### *COMMITMENTS*

At July 1, 2000, the Company had outstanding commitments for capital investments of approximately \$650,000. The Company has commitments for items that it purchases in the normal on-going affairs of the business. The Company is not aware of any obligations in excess of normal market conditions, nor of any long-term commitments that would have

a material adverse affect on its financial condition.

## OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Securities Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 11. Computation of Per Share Earnings.  
Exhibit 27. Financial Data Schedule

(b) Reports on Form 8-K.

None

## 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.

DATED: November 13, 2000

ASTRONICS CORPORATION

\_\_\_\_\_  
/s/ C. Anthony Rider

\_\_\_\_\_  
(Signature)

C. Anthony Rider  
Vice President-Finance and Treasurer  
(Principal Financial Officer)

EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

(in thousands, except for per  
share data)  
Nine Months Ended September 30

	2000 ----	1999 ----	
Net income	\$ 3,566	\$ 2,962	
	=====	=====	
Basic earnings per share weighted average shares		6,255	6,142
Net effect of dilutive stock options		344	427
	-----	-----	
Diluted earnings per share weighted average shares		6,599	6,569
	=====	=====	
Basic earnings per share	\$ .57	\$ .48	
	=====	=====	
Diluted earnings per share	\$ .54	\$ .45	
	=====	=====	



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Exhibit 27

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FINANCIAL DATA SCHEDULE

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