

ADVANTAGE TECHNOLOGIES GROUP INC
Form 10-Q
February 12, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED December 31, 2018

OR

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 10799

ADDvantage Technologies Group, Inc.
(Exact name of registrant as specified in its charter)

OKLAHOMA 73 1351610
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1221 E. Houston
Broken Arrow, Oklahoma 74012
(Address of principal executive office)
(918) 251-9121
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes
No

Shares outstanding of the issuer's \$.01 par value common stock as of January 31, 2019 were 10,361,292.

ADVANTAGE TECHNOLOGIES GROUP, INC.

Form 10-Q

For the Period Ended December 31, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

| | December 31, 2018 | September 30, 2018 |
|--|-------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$2,779,289 | \$3,129,280 |
| Accounts receivable, net of allowance for doubtful accounts of \$150,000 | 5,010,736 | 4,400,868 |
| Income tax receivable | 116,256 | 178,766 |
| Inventories, net of allowance for excess and obsolete inventory of \$4,993,000 and \$4,965,000, respectively | 18,572,493 | 18,888,042 |
| Prepaid expenses | 386,789 | 264,757 |
| Assets held for sale | | 3,666,753 |
| Total current assets | 26,865,563 | 30,528,466 |
| Property and equipment, at cost: | | |
| Land and buildings | 2,208,676 | 2,208,676 |
| Machinery and equipment | 3,882,878 | 3,884,859 |
| Leasehold improvements | 200,617 | 200,617 |
| Total property and equipment, at cost | 6,292,171 | 6,294,152 |
| Less: Accumulated depreciation | (4,324,319) | (4,276,024) |
| Net property and equipment | 1,967,852 | 2,018,128 |
| Investment in and loans to equity method investee | 12,000 | 49,000 |
| Intangibles, net of accumulated amortization | 6,577,623 | 6,844,398 |
| Goodwill | 4,820,185 | 4,820,185 |
| Other assets | 683,418 | 134,443 |
| Total assets | \$40,926,641 | \$44,394,620 |

See notes to unaudited consolidated condensed financial statements.

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ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

| | December 31, 2018 | September 30, 2018 |
|--|-------------------------|--------------------------|
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$3,876,056 | \$4,657,188 |
| Accrued expenses | 1,277,431 | 1,150,010 |
| Notes payable – current portion | | 2,594,185 |
| Deferred gain – current portion | 138,380 | |
| Other current liabilities | 643,559 | 664,374 |
| Total current liabilities | 5,935,426 | 9,065,757 |
| Deferred gain, less current portion | 1,233,883 | |
| Other liabilities | 165,992 | 801,612 |
| Total liabilities | 7,335,301 | 9,867,369 |
| Shareholders' equity: | | |
| Common stock, \$.01 par value; 30,000,000 shares authorized; 10,861,950 and 10,806,803 shares issued, respectively; 10,361,292 and 10,306,145 shares outstanding, respectively | 108,620 | 108,068 |
| Paid in capital | (4,495,825) | (4,598,343) |
| Retained earnings | 38,978,559 | 40,017,540 |
| Total shareholders' equity before treasury stock | 34,591,354 | 35,527,265 |
| Less: Treasury stock, 500,658 shares, at cost | (1,000,014) | (1,000,014) |
| Total shareholders' equity | 33,591,340 | 34,527,251 |
| Total liabilities and shareholders' equity | \$40,926,641 | \$44,394,620 |

See notes to unaudited consolidated condensed financial statements.

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ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended | |
|---------------|--------------------|---------------|
| | December 31, | |
| | 2018 | 2017 |
| Sales | \$ 11,272,286 | \$ 12,284,765 |
| Cost of sales | 8,430,724 | |