

ADVANTAGE TECHNOLOGIES GROUP INC  
Form 10-Q  
May 13, 2009

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 March 31, 2009

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

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 issuer (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.

Large accelerated filer	<input type="radio"/>	Accelerated
Non-accelerated filer	<input type="radio"/>	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-2 of the Exchange Act). Yes  No

Shares outstanding of the issuer's \$.01 par value common stock as of April 30, 2009 were 10,158,620.

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ADVANTAGE TECHNOLOGIES GROUP, INC.  
Form 10-Q  
For the Period Ended March 31, 2009

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SIGNATURES

ADVANTAGE TECHNOLOGIES GROUP, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (unaudited)	September 30, 2008 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 83,245	\$ 15,211
Accounts receivable, net of allowance of \$304,000 and \$253,000, respectively	3,712,119	6,704,162
Income tax refund receivable	4,310	83,735
Inventories, net of allowance for excess and obsolete inventory of \$1,898,000 and \$1,958,000, respectively	34,594,005	33,678,418
Deferred income taxes	1,254,000	1,069,000
Prepaid expenses	197,830	108,560
Total current assets	39,845,509	41,659,086
Property and equipment, at cost:		
Land and buildings	7,188,936	7,181,143
Machinery and equipment	3,252,061	3,267,868
Leasehold improvements	205,797	205,797
	10,646,794	10,654,808
Less accumulated depreciation and amortization	(2,924,486)	(2,728,633)
Net property and equipment	7,722,308	7,926,175
Other assets:		
Deferred income taxes	898,000	625,000
Goodwill	1,560,183	1,560,183
Other assets	28,556	29,112
Total other assets	2,486,739	2,214,295
Total assets	\$ 50,054,556	\$ 51,799,556

See notes to unaudited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (unaudited)	September 30, 2008 (audited)
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,875,751	\$ 3,267,006
Accrued expenses	988,072	1,146,672
Bank revolving line of credit	633,114	2,789,252
Notes payable – current portion	1,863,767	1,860,163
<b>Total current liabilities</b>	<b>6,360,704</b>	<b>9,063,093</b>
Notes payable	14,924,757	15,860,245
Other liabilities	1,381,367	299,944
<b>Shareholders' equity:</b>		
Common stock, \$.01 par value; 30,000,000 shares authorized; 10,340,784 and 10,294,115 shares issued, respectively	103,408	102,941
Paid in capital	(6,176,926)	(6,272,897)
Retained earnings	34,640,843	32,988,338
<b>Accumulated other comprehensive income:</b>		
Unrealized loss on interest rate swap, net of tax	(849,367)	(187,944)
	<b>27,717,958</b>	<b>26,630,438</b>
Less: Treasury stock, 182,164 and 21,100 shares, respectively, at cost	(330,230)	(54,164)
<b>Total shareholders' equity</b>	<b>27,387,728</b>	<b>26,576,274</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 50,054,556</b>	<b>\$ 51,799,556</b>

See notes to unaudited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(UNAUDITED)

	Three Months Ended		Six Months Ended March	
	March 31,		31,	
	2009	2008	2009	2008
<b>Sales:</b>				
Net new sales income	\$ 6,669,916	\$ 8,914,517	\$ 14,887,271	\$ 17,567,278
Net refurbished sales income	2,309,258	3,505,844	5,413,109	8,316,807
Net service income	1,147,462	1,431,458	2,626,262	2,707,102
Total net sales	10,126,636	13,851,819	22,926,642	28,591,187
Cost of sales	7,052,644	9,283,756	16,018,864	19,275,303
Gross profit	3,073,992	4,568,063	6,907,778	9,315,884
Operating, selling, general and administrative expenses	1,726,105	2,043,862	3,768,032	4,095,297
Income from operations	1,347,887	2,524,201	3,139,746	5,220,587
Interest expense	229,528	266,092	494,241	412,367
Income before income taxes	1,118,359	2,258,109	2,645,505	4,808,220
Provision for income taxes	420,000	847,000	993,000	1,804,000
Net income	698,359	1,411,109	1,652,505	3,004,220
<b>Other comprehensive income:</b>				
Unrealized gain (loss) on interest rate swap, net of taxes	14,432	(341,706)	(661,423)	(490,050)
Comprehensive income	\$ 712,791	\$ 1,069,403	\$ 991,082	\$ 2,514,170
Net income	698,359	1,411,109	1,652,505	3,004,220
Preferred stock dividends	-	-	-	133,480
Net income attributable to common shareholders	\$ 698,359	\$ 1,411,109	\$ 1,652,505	\$ 2,870,740
<b>Earnings per share:</b>				
Basic	\$ 0.07	\$ 0.14	\$ 0.16	\$ 0.28
Diluted	\$ 0.07	\$ 0.14	\$ 0.16	\$ 0.28
<b>Shares used in per share calculation:</b>				
Basic	10,131,926	10,257,776	10,175,887	10,254,216
Diluted	10,133,781	10,281,066	10,177,801	10,286,734

See notes to unaudited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended March	
	2009	2008
Operating Activities		
Net income	\$ 1,652,505	\$ 3,004,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	202,853	180,161
Provision (recovery of) for losses on accounts receivable	107,253	(3,920)
Provision for excess and obsolete inventories	795,000	383,000
Deferred income tax benefit	(38,000)	(184,000)
Share based compensation expense	55,606	9,088
Changes in assets and liabilities:		
Accounts receivable	2,884,790	(32,637)
Income tax refund receivable	79,425	153,252
Inventories	(1,710,587)	(3,269,097)
Prepaid expenses	(89,270)	73,131
Other assets	41,388	(83,082)