Elle Investments Research Report: ALOT

Company: AstroNova, Inc.
Symbol: **ALOT**
Analysis Date: 1/28/20
Analysis Price: $13.22
Price Target (PT): $13.22
Upside: **0%**
Dividend: $0.28 (2.1%)
Recommendation: **Pass**

ALOT: 1-Year Chart

Source: Seeking Alpha

INVESTMENT THESIS:

The stock has drifted down from recent highs of $25+/share on near-term headwinds in both operating segments. Yet even with the decline, it still isn't trading at an attractively cheap multiple. We will continue to monitor the news but at the moment we feel it is a Pass.

LIQUIDITY POSITION: Fair

As of 3QFY20, ALOT had cash and cash equivalents of $4.5M. The current portion of long-term debt stands at $5.1M (with total debt of $14M) and the amount drawn on the revolving credit facility stands at $6.5M. This is a bit on the high side, but even with the current headwinds the company is still earning a healthy profit and has $3.5M still available for borrowing on the revolving credit facility. Liquidity is not such a big concern at this time.

COMMERCIAL PROSPECTS: Fair

ALOT's reportable operating segments are:

Product Identification ("PI")

The PI segment consists of several products (both hardware and software) that enable industrial and commercial customers to label, track, and augment the visual appearance of their products and product packaging. Their varied line of small-scale printers allows for convenient on-site and on-demand printing.

During 2QFY20, management announced that it was experiencing some headwinds, specifically in the Asian market, which they attribute to lingering concerns over a near-term global economic slowdown. Since this announcement, the company has continued to release some new lines of printers, but nothing appears to be paradigm-shifting. The PI segment remains profitable but they expect these headwinds to continue for the near-future.

Test & Measurement ("T&M")

The T&M segment sells data acquisition instruments that are utilized by a wide variety of industries such as the automotive and energy sectors. This segment also includes a line of aerospace flight deck printers that are utilized in both the cockpit and cabin of aircraft to record and print various flight data required for safe operation.

The company also saw a slowdown in this segment during 2QFY20, due primarily to the grounding of Boeing's 737 MAX. Several planned upgrades for existing aircraft were put on hold so that those aircraft could continue to be utilized. Additionally, new aircraft shipments were reduced. These two items have hit both the top and bottom line more than expected, and it remains unclear when this issue will be resolved.

VALUATION: Fairly valued

Through the first nine months of FY20, ALOT has reported net income of $3.1M. We think it is unlikely, given the issues discussed previously in each operating segment, that they will be able to match (both this fiscal year and next) last year's net income of $5.7M. However, even supposing that they could realize $5.7M in net income over the next 12 months, the valuation is still not that attractive. As of January 24, the market cap was $90M, which gives a forward P/E of 16x. Given that the risks may linger for a bit, we do not see this as being very undervalued. And the 2.1% dividend is not enough to draw us in.

CONCLUSION:

The stock of ALOT has lost about half of its value over the past few months due to some near-term headwinds being seen in both operating segments. But the drop in the price has not been steep enough to make the valuation very appealing. Even considering the 2.1% dividend, we think this is a Pass.

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