

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

/ X / Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended 1/31/98 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 1-8266

DATARAM CORPORATION

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

New Jersey 22-1831409

\_\_\_\_\_  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

P.O. Box 7528, Princeton, NJ 08543

\_\_\_\_\_  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (609) 799-0071

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value): As of March 3, 1998, there were 2,864,305 shares

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dataram Corporation And Subsidiary  
Consolidated Balance Sheets  
January 31, 1998 and April 30, 1997

(Unaudited) (Audited)

January 31, 1998 April 30, 1997

Assets

Current Assets:

Cash and cash equivalents	\$ 6,692,677	\$ 6,835,671
Trade receivables, less allowance for doubtful accounts and sales returns of \$700,000 at January 31, 1998 and \$800,000 at April 30, 1997	9,512,976	8,473,228
Inventories	3,495,679	4,395,813
Other current assets	508,587	572,376
Total current assets	<u>20,209,919</u>	<u>20,277,088</u>

Property and equipment, at cost:		
Land	875,000	875,000
Machinery and equipment	8,264,507	6,840,378
	<u>9,139,507</u>	<u>7,715,378</u>
Less: accumulated depreciation and amortization	5,956,932	5,461,632
Net property and equipment	<u>3,182,575</u>	<u>2,253,746</u>
Other assets	7,380	5,730
	<u>\$23,399,874</u>	<u>\$22,536,564</u>
	January 31, 1998	April 30, 1997

#### Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 3,371,754	\$ 4,144,946
Accrued liabilities	1,324,810	1,093,380
Income taxes payable	34,116	0
Total current liabilities	<u>4,730,680</u>	<u>5,238,326</u>
Deferred income taxes	1,013,000	1,013,000
Stockholders' Equity:		
Common stock, par value \$1.00 per share.		
Authorized 18,000,000 shares; issued		
2,938,805 at January 31, 1998		
and 3,077,449 at April 30, 1997	2,938,805	3,077,449
Additional paid-in capital	2,464,687	2,452,677
Retained earnings	12,252,702	10,755,112
Total stockholders' equity	<u>17,656,194</u>	<u>16,285,238</u>
	<u>\$23,399,874</u>	<u>\$22,536,564</u>

See accompanying notes to consolidated financial statements.

<TABLE>

Dataram Corporation and Subsidiary  
Consolidated Statements of Earnings  
Three and Nine Months Ended January 31, 1998 and 1997  
(Unaudited)

<S>	<C> 1998	<C> 1997	<C> 1997	<C> 1997
	3rd Quarter	Nine Months	3rd Quarter	Nine Months
Revenues	\$ 19,844,043	\$ 58,059,070	\$ 17,514,34	\$ 52,130,588
Costs and expenses:				
Cost of sales	14,690,712	44,853,570	13,944,417	41,165,237
Engineering and development	283,608	808,575	253,887	732,977
Selling, general and administrative	3,255,737	8,319,558	1,941,700	5,788,074
	<u>18,230,057</u>	<u>53,981,703</u>	<u>16,140,004</u>	<u>47,686,288</u>
Earnings from operations	1,613,986	4,077,367	1,374,338	4,444,300
Other income (expense), net				
Other income, net	1,200	3,200	1,840	18,447
Interest income, net	81,094	220,841	73,063	201,352
	<u>82,294</u>	<u>224,041</u>	<u>74,903</u>	<u>219,799</u>
Earnings before income taxes	1,696,280	4,301,408	1,449,241	4,664,099

Income tax provision	664,000	1,655,000	537,000	1,773,000
Net earnings	<u>\$ 1,032,280</u>	<u>\$ 2,646,408</u>	<u>\$ 912,241</u>	<u>\$2,891,099</u>
Net earnings per share of common stock				
Basic	<u>\$ .35</u>	<u>\$ .88</u>	<u>\$ .28</u>	<u>\$ .84</u>
Diluted	<u>\$ .34</u>	<u>\$ .85</u>	<u>\$ .27</u>	<u>\$ .80</u>
Weighted average number of common shares outstanding				
Basic	<u>2,936,205</u>	<u>2,997,390</u>	<u>3,234,002</u>	<u>3,433,219</u>
Diluted	<u>3,075,079</u>	<u>3,128,837</u>	<u>3,441,108</u>	<u>3,610,129</u>

See accompanying notes to consolidated financial statements

Dataram Corporation and Subsidiary  
Consolidated Statements of Cash Flows  
Nine Months Ended January 31, 1998 and 1997  
(Unaudited)

	1998	1997
Cash flows from operating activities:		
Net earnings	\$ 2,646,408	\$ 2,891,099
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	495,300	474,900
Bad debt expense	271,086	251,220
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(1,310,834)	3,094,656
Decrease(increase) in inventories	900,134	(128,567)
Decrease in other current assets	63,789	341,453
Increase in other assets	(1,650)	0
Decrease in accounts payable	(773,192)	(4,117,210)
Increase in accrued liabilities	231,430	216,537
Increase in income taxes payable	34,116	0
Net cash provided by operating activities	<u>2,556,587</u>	<u>3,024,088</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,424,129)	(323,052)
Net cash used in investing activities	<u>(1,424,129)</u>	<u>(323,052)</u>
Cash flows from financing activities:		
Proceeds from sale of common shares under stock option plan (including tax benefits)	329,875	0
Purchase and cancellation of common shares	(1,605,327)	(4,480,729)
Net cash used in financing activities	<u>(1,275,452)</u>	<u>(4,480,729)</u>
Net decrease in cash and cash equivalents	(142,994)	(1,779,693)
Cash and cash equivalents at beginning of year	6,835,671	8,482,447
Cash and cash equivalents at end of period	<u>\$ 6,692,677</u>	<u>\$ 6,702,754</u>

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 0	\$ 0
Income taxes	\$ 1,473,058	\$ 1,290,000

Dataram Corporation and Subsidiary  
Notes to Consolidated Financial Statements  
January 31, 1998 and April 30, 1997

(1) Cash and cash equivalents consist of unrestricted cash, bankers acceptances, commercial paper and other short term investments. All investments are convertible to cash within a period of approximately thirty days or less.

(2) Inventories consist of the following categories:

	1/31/98	4/30/97
Raw Materials	\$ 2,275,000	\$ 3,369,000
Work In Process	101,000	98,000
Finished Goods	1,120,000	929,000
	<u>\$ 3,496,000</u>	<u>\$ 4,396,000</u>

(3) The Company has an agreement with a bank which provides for a total unsecured line of credit of \$12,000,000 with interest at no higher than one-half percent below the bank's base commercial lending rate. Borrowings under the line of credit are at the convenience of Company management and may be repaid at any time. The line of credit agreement expires in October, 1999, unless otherwise amended or extended.

(4) In September 1992, an incentive and non-statutory stock option plan was adopted by the shareholders which provides for the granting of up to 950,000 shares of common stock to key employees. As of January 31, 1998, options to purchase 635,000 shares at prices ranging from \$5.125 to \$10.75 per share were outstanding. As of January 31, 1998 options to purchase 84,000 shares had been exercised and options to purchase 233,400 shares were exercisable.

In November 1992, March 1993 and September 1996, the Company granted to four non-employee directors of the Company and the Company's outside general counsel five year options to acquire a total of 150,000 shares of the Company's common stock at prices ranging from \$6.94 to \$11.25 per share. As of January 31, 1998, options to purchase 120,000 shares have expired and options to purchase 6,000 shares were exercisable. In November 1997, the Company granted to three non-employee directors of the Company and the Company's outside general counsel five year options to acquire a total of 120,000 shares of the Company's common stock at a price of \$8.4375. As of January 31, 1998, none of these options had been exercised and options to purchase 30,000 shares were exercisable.

(5) The Company adopted Financial Accounting Standards No. 128 (FAS 128), "Earnings Per Share" in the third quarter of fiscal 1998. Share and per share amounts for all periods presented have been restated to comply with FAS 128.

(6) In July of 1997, the Company announced an open market repurchase plan providing for the repurchase of up to 300,000 shares of the Company's common stock. As of January 31, 1998, 142,600 shares had been purchased under the plan.

(7) Information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair presentation of the  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Liquidity and Capital Resources

As of January 31, 1998, working capital amounted to \$15.5 million reflecting a current ratio of 4.3 compared to working capital of \$15.0 million and a current ratio of 3.9 as of April 30, 1997.

The Company's financial condition remains strong. The Company has a \$12 million unsecured line of credit with a bank, of which \$6 million was scheduled to expire in October 1998 and \$6 million in October 1999.

The line of credit has not been used during the current fiscal year. Management believes that the Company's working capital together with internally generated funds and its bank line of credit are sufficient to finance the Company's operating needs and future capital requirements.

#### Results of Operations

Revenues for the three month period ending January 31, 1998 were \$19,844,000 compared to revenues of \$17,514,000 for the comparable prior year period. Fiscal 1998 nine month revenues totaled \$58,059,000 versus nine month revenues of \$52,131,000 for the prior fiscal year. The increase in revenues was the result of increased unit volume offset by declining average selling prices for the Company's products reflecting a decrease in the price of dynamic random access memory chips (DRAMs) which are the primary raw material in memory boards. Total units shipped have increased by approximately 63% in this year's third quarter, versus the third quarter last year.

Cost of sales for the third quarter and nine months of fiscal 1998 were 74% and 77%, respectively of revenues versus 80% and 79% for the same prior year periods. The increase in gross margin in the current quarter is primarily attributable to the introduction of new high capacity memory products where the primary competition is the original equipment manufacturer, and therefore the products can command higher selling prices than would be possible if there was extensive third party competition. Prices for the sixty-four and sixteen megabit DRAM continued to decline during the quarter. However, at the end of the quarter, sixteen megabit DRAM prices increased from December lows. At this point, it is uncertain as to whether DRAM pricing will stabilize or continue to fall, and if so, what the magnitude will be. To minimize the impact of the changes in raw material values, the Company has maintained tight control over inventory levels, while still meeting customer delivery requirements.

Engineering and development costs in fiscal 1998's third quarter and nine months were \$284,000 and \$809,000, respectively versus \$254,000 and \$733,000 for the same prior year periods. The Company intends to maintain its commitment to timely introduction of new memory products as new workstations and computers are introduced.

Selling, general and administrative costs in this year's third quarter and nine months increased to 16% and 14%, respectively of revenues from 11% for the same prior year periods. Three month total expenditures increased by \$1,314,000 from the comparable prior year period. Nine month selling, general and administrative costs increased by \$2,531,000 in fiscal 1998 versus fiscal 1997. These increases are primarily attributable to legal expenses incurred related to a Complaint filed by Sun Microsystems, Inc. The current years quarter and nine months include approximately \$500,000 and \$1,400,000, respectively related to this litigation. Additionally, the Company has continued to strategically add to its sales department this year to accelerate our ability to service new and existing customers.

Other income (expense), net for the third quarter and nine months of fiscal 1998 and 1997 consisted primarily of interest income on short

#### PART II: OTHER INFORMATION

#### ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

##### A. Exhibits

27 (a). Financial Data Schedule

99 (a). Press Release reporting results of Third Quarter, Fiscal Year 1998 (Attached).

##### B. Reports on Form 8-K

No reports on Form 8-K have been filed during the current 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.

DATARAM CORPORATION

Date: March, 4, 1998      By: MARK E. MADDOCKS

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Mark E. Maddocks  
Vice President, Finance  
(Principal Financial Officer)

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FOR IMMEDIATE RELEASE                      CONTACT: Mark Maddocks  
Vice-President, Finance  
Telephone: (609) 799-0071

IMPROVED VOLUME BOOSTS DATARAM INCOME, REVENUES  
FOR FISCAL 1998 THIRD QUARTER

PRINCETON, NJ, February 6, 1998 Dataram Corporation (AMEX:DTM) achieved higher revenues and earnings for the third quarter of fiscal 1998, reflecting brisk demand for both established computer memory products and new offerings, Robert V. Tarantino, president and chief executive officer, announced today.

For the third quarter ended January 31, 1998, Dataram reported revenues of \$19.8 million compared to \$17.5 million for the year earlier period. Net earnings were \$1,032,000, or \$.34 per share versus \$912,000, or \$.27 per share for last year's comparable quarter.

For the nine months ended January 31, 1998, revenues were \$58.1 million compared to \$52.1 million for the year earlier period. Net earnings totaled \$2,646,000, or \$.85 per share compared to \$2,891,000, or \$.80 per share for the prior year.

Continued....

Dataram Earnings Release - Page 2

The Company's gross margin percentages this fiscal quarter and nine months have increased compared to the prior year. This is attributable to the introduction and favorable market acceptance of new higher capacity memory products which command higher margins. "Remaining focused on the workstation and high-end server market has allowed us to maintain our first-to-market advantage," Tarantino declared. "Our objective is to achieve both earnings and revenue growth and we remain confident that we can accomplish this goal," Tarantino said.

Demand for the Company's products remained strong. Tarantino reported that gigabytes of memory shipped have increased 63% on a comparable quarterly basis. During the quarter, we continued our program of expanding our sales force. "This team is obtaining many new customers and increasing business with existing customers in U.S. and international markets," Tarantino declared. "Investments to expand manufacturing capacity and establish a distribution center in the United Kingdom are enabling us to maintain our high service level while we grow."

Continued....

Dataram Earnings Release - Page 3

"We're participating in an industry that continues to exhibit dynamic growth which shows no signs of abating," Tarantino declared. "Business remains strong both here and abroad, including the Pacific Rim, where we have not experienced any fallout from the 'Asian crisis.' I fully expect that Dataram will sustain its solid financial performance throughout fiscal 1998."

During the quarter, the Company continued its stock repurchase program and, as of the end of the quarter, has purchased 142,600 shares of the current 300,000 share



authorization.

Dataram develops, manufactures and markets gigabyte memory boards for the UNIX and windows NT workstation and server memory markets.

Continued....

Dataram Earnings Release - Page 4

Dataram Corporation and Subsidiary  
Consolidated Summary Information  
(In thousands except per share amounts)

	Quarter Ended		Nine Months Ended	
	January 31		January 31	
	1998	1997	1998	1997
Revenues	\$19,844	\$17,514	\$58,059	\$52,130
Net Earnings	\$1,032	\$912	\$2,646	\$2,891
Earnings Per Share				
--Basic	\$.35	\$.28	\$.88	\$.84
--Diluted	\$.34	\$.27	\$.85	\$.80
Average Shares Outstanding				
--Basic	2,936	3,234	2,997	3,433
--Diluted	3,075	3,441	3,129	3,610