SPECTRUM CONTROL INC
Form 10-Q
July 03, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Period Ended May 31, 2002 Commission File Number 0-8796

Spectrum Control, Inc.

Exact name of registrant as specified in its charter

Pennsylvania	25-1196447
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
8031 Avonia Road; Fairview, Pennsylvania	16415
(Address)	(Zip Code)
Registrant's telephone number, including area code:	(814) 835-1650

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark wheter 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 the filing requirements for at least the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Number of Shares Outstanding as of June 14, 2002
Common, no par value	13,149,277

SPECTRUM CONTROL, INC. AND SUBSIDIARIES

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SPECTRUM CONTROL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

(Dollar Amounts in Thousands)	May 31, 2002	November 30, 2001
Assets		
Current Assets		
Cash and cash equivalents	$ 19,325	$ 12,442
Accounts receivable, net of allowances	9,454	11,703
Inventories	15,833	17,144
Deferred income taxes	1,802	1,802

Income tax refund receivable	1,150	1,150
Prepaid expenses and other current assets	1,513	3,013
Total current assets	49,077	47,254
Property, Plant And Equipment, at cost		
less accumulated depreciation of $ 27,822		
in 2002 and $ 25,534 in 2001	17,924	20,208
Other Assets		
Goodwill, net	14,243	14,243
Other noncurrent assets	456	1,646
Total other assets	14,699	15,889
Total Assets	$ 81,700	$ 83,351
Liabilities And Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 2,662	$ 2,767
Income taxes payable	-	151
Accrued liabilities	1,852	1,856
Current portion of long-term debt	285	380
Total current liabilities	4,799	5,154
Long-Term Debt	2,412	2,676
Deferred Income Taxes	3,304	3,434
Stockholders' Equity		
Common stock, no par value, authorized		
25,000,000 shares, issued 13,604,977		
shares in 2002 and 13,548,513 in 2001	43,752	43,605
Retained earnings	30,891	31,853
Treasury stock, 455,700 shares in 2002		
and 452,700 shares in 2001, at cost	(2,535)	(2,520)
Accumulated other comprehensive loss	(923)	(851)
Total stockholders' equity	71,185	72,087
Total Liabilities And Stockholders' Equity	$ 81,700	$ 83,351

The accompanying notes are an integral part of the financial statements.

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SPECTRUM CONTROL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

(Amounts in Thousands Except Per Share Data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2002	2001	2002	2001
Net sales	$ 14,353	$ 25,280	$ 25,846	$ 56,092
Cost of products sold	11,780	19,409	22,339	42,017
Gross margin	2,573	5,871	3,507	14,075
Selling, general and administrative expense	3,126	4,910	6,015	10,269
Income (loss) from operations	(553)	961	(2,508)	3,806
Other income (expense)				
Interest expense	(35)	(60)	(77)	(116)
Other income and expense, net	885	104	1,040	251
	850	44	963	135
Income (loss) before provision for income taxes	297	1,005	(1,545)	3,941
Provision for income taxes (benefit)	115	382	(583)	1,498
Net income (loss)	$ 182	$ 623	$ (962)	$ 2,443
Earnings (loss) per common share :				
Basic	$ 0.01	$ 0.05	$ (0.07)	$ 0.18
Diluted	$ 0.01	$ 0.05	$ (0.07)	$ 0.18
Average number of common shares outstanding :				
Basic	13,134	13,405	13,118	13,402
Diluted	13,235	13,527	13,118	13,547

The accompanying notes are an integral part of the financial statements.

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SPECTRUM CONTROL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(Dollar Amounts in Thousands)	Six Months Ended May 31,	
	2002	2001
Cash Flows From Operating Activities :		
Net income (loss)	$ (962)	$ 2,443
Adjustments to reconcile net income (loss) to net		
cash provided by operating activities :		
Depreciation	2,361	2,558
Amortization	30	443
Deferred income taxes	(130)	194
Changes in assets and liabilities :		
Accounts receivable	2,246	6,626
Inventories	1,310	(410)
Prepaid expenses and other assets	1,653	(1,873)
Accounts payable and accrued expenses	(248)	(4,406)
Net cash provided by operating activities	6,260	5,575
Cash Flows From Investing Activities :		
Proceeds from sale of property, plant and equipment	1,034	-
Purchase of property, plant and equipment	(169)	(2,657)
Payment for acquired businesses	-	(158)
Net cash provided by (used in) investing activities	865	(2,815)
Cash Flows From Financing Activities :		
Borrowings of long-term debt	-	950
Repayment of long-term debt	(395)	(220)
Purchase of common stock	(15)	(697)
Net proceeds from issuance of common stock :	147	322
Net cash provided by (used in) financing activities	(227)	355
Effect of exchange rate changes on cash	(15)	31
Net increase in cash and cash equivalents	6,883	3,146
Cash and cash equivalents, beginning of period	12,442	5,977

Cash and cash equivalents, end of period	$ 19,325	$ 9,123
Cash paid during the period for :		
Interest	$ 69	$ 125
Income taxes	179	3,164

The accompanying notes are an integral part of the financial statements.

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SPECTRUM CONTROL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2002

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments which are normal, recurring and necessary to present fairly the results for the interim periods. Operating results for interim periods are not necessarily indicative of the results that may be expected for the year.

The condensed consolidated financial statements include the accounts of Spectrum Control, Inc. and its Subsidiaries ("the Company"). To facilitate timely reporting, the fiscal quarters of the Company's German subsidiary, Spectrum Control GmbH, are based upon a fiscal year which ends October 31. All significant intercompany accounts are eliminated upon consolidation.

The balance sheet at November 30, 2001 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Spectrum Control, Inc. and Subsidiaries annual report on Form 10-K for the fiscal year ended November 30, 2001.

Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 2 - Nature of Operations

The Company designs and manufactures electronic control components and systems and has operations in the United States, Mexico and Germany. The Company offers a broad line of signal and power products which are used to condition, regulate, transmit, receive, or govern electronic performance. Although its products are used in many industries worldwide, the Company's largest markets are telecommunications equipment and military/aerospace.

Note 3 - Adoption of New Accounting Pronouncement

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are instead subject to a periodic impairment test at least annually. Other intangible assets continue to be amortized over their useful lives.

Effective December 1, 2001, the Company adopted SFAS No. 142. Accordingly, no amortization of goodwill was recognized in the accompanying consolidated statements of operations for the periods ended May 31, 2002, compared to $205,000 for the three months ended May 31, 2001 and $405,000 for the six months ended May 31, 2001. In accordance with the provisions of SFAS No. 142, the Company has performed the required transitional impairment test of goodwill and has determined that no impairment loss need be recognized in the periods ended May 31, 2002. For purposes of performing the required transitional impairment test, goodwill was assigned to the Company's operating segments as follows (in thousands):

	Signal Products	Power Products	Total
Goodwill	$10,557	$3,686	$14,243

As required by SFAS No. 142, the results for the prior year periods have not been restated. A reconciliation of the previously reported net income and earnings per share, as if SFAS No. 142 had been adopted as of December 1, 2000, is as follows (in thousands except per share data):

	Three Months Ended May 31,		Six Months Ended May 31,	
	2002	2001	2002	2001
Reported net income (loss)	$ 182	$ 623	$ (962)	$ 2,443
Add back: Goodwill amortization, net of related tax effect	--	127	--	251
Adjusted net income (loss)	$ 182	$ 750	$ (962)	$ 2,694
Earnings (loss) per common share:				
Basic earnings (loss) per share, as reported	$ 0.01	$ 0.05	$ (0.07)	$ 0.18
Impact of goodwill amortization	--	0.01	--	0.02
Adjusted basic earnings (loss) per share	$ 0.01	$ 0.06	$ (0.07)	$ 0.20
Diluted earnings (loss) per share, as reported	$ 0.01	$ 0.05	$ (0.07)	$ 0.18
Impact of goodwill amortization	--	0.01	--	0.02
Adjusted diluted earnings (loss) per share	$ 0.01	$ 0.06	$ (0.07)	$ 0.20

Note 4 - Inventories

Inventories by major classification are as follows (in thousands):

	May 31,	November 30,

	2002	2001
Finished goods	$ 2,117	$ 1,796
Work-in-process	6,712	8,416
Raw materials	7,004	6,932
	$ 15,833	$ 17,144

Note 5 - Other Noncurrent Assets

Other noncurrent assets by major classification are as follows (in thousands):

		May 31, 2002	November 30, 2001
Intangible assets:			
	Patents and patent rights	$ 574	$ 574
	Debt issuance costs	393	393
		967	967
	Less accumulated amortization	644	614
		323	353
Other assets:			
	Property held for sale	--	955
	Forward currency exchange contracts	34	75
	Deferred charges	99	263
		133	1,293
	Other noncurrent assets	$ 456	$ 1,646

Amortization of intangible assets, for each of the next five years, is not expected to be material to the Company's consolidated financial statements.

Note 6 - Debt Agreement

The Company maintains an unsecured line of credit with its principal lending institution (the "Bank"), with interest rates on borrowings at or below the prevailing prime rate. During the periods ended May 31, 2002 and 2001, no borrowings were outstanding under this line of credit arrangement. The line of credit agreement contains certain covenants, the most restrictive of which require the Company to maintain designated minimum levels of net worth and profitability and impose certain restrictions on the Company regarding additional indebtedness. In February, 2002, certain of these covenants were amended or waived by the Bank. At May 31, 2002, the Company was in compliance with all debt covenants, as amended. Maximum borrowings under the amended agreement may not exceed $6,000,000. The amended line of credit agreement expires April 30, 2003.

Note 7 - Derivatives and Hedging Activities

From time to time, the Company enters into forward currency exchange contracts in the regular course of business to manage its exposure against foreign currency fluctuations on sales denominated in foreign currencies. The terms of these contracts are generally six months or less.

At May 31, 2002, the Company had forward contracts with aggregate notional amounts of $880,000, maturing at varying dates over a six-month period. The estimated fair value of the forward currency exchange contracts was a net receivable of $34,000 at May 31, 2002.

Note 8 - Earnings (Loss) Per Common Share

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the periods indicated:

	Three Months Ended May 31,		Six Months Ended May 31,	
	2002	2001	2002	2001
Numerator for basic and diluted earnings (loss) per common share (in thousands):				
Net income (loss)	$ 182	$ 623	$ (962)	$ 2,443
Denominator for basic earnings (loss) per common share (in thousands):				
Weighted average shares outstanding	13,134	13,405	13,118	13,402
Denominator for diluted earnings (loss) per common share (in thousands):				
Weighted average shares outstanding	13,134	13,405	13,118	13,402
Effect of dilutive securities:				
Stock options	98	115	--	136
Stock warrants	3	7	--	9
	13,235	13,527	13,118	13,547
Earning (loss) per common share:				
Basic	$ 0.01	$ 0.05	$ (0.07)	$ 0.18
Diluted	$ 0.01	$ 0.05	$ (0.07)	$ 0.18

Options and warrants to purchase 953,633 shares of Common Stock, at a weighted average exercise price of $7.19 per share, were outstanding at May 31, 2002, but were not included in the computation of diluted earnings (loss) per share for the six months ended May 31, 2002, because their inclusion would be anti-dilutive.

Note 9 - Comprehensive Income (Loss)

The components of comprehensive (loss) are as follows (in thousands):

	Three Months Ended May 31,		Six Months Ended May 31,	
	2002	2001	2002	2001
Net income (loss)	$ 182	$ 623	$ (962)	$ 2,443
Foreign currency translation adjustments	85	(239)	(31)	133
Change in fair value of derivatives	49	--	(41)	--
Comprehensive income (loss)	$ 316	$ 384	$ (1,034)	$ 2,576

The components of accumulated other comprehensive loss are as follows (in thousands):

	May 31, 2002	November 30, 2001
Foreign currency translation adjustments	$ (957)	$ (926)
Derivative financial instruments gain	34	75
Accumulated other comprehensive loss	(923)	(851)

Note 10 - Operating Segments

The Company was founded as a solutions - oriented company, designing and manufacturing products to suppress or eliminate electromagnetic interference ("EMI"). In recent years, the Company has broadened its focus and product lines to become a control products and systems company, providing a wide range of components and systems used to condition, regulate, transmit, receive, or govern electronic performance.

The Company's current operations are conducted in two reportable segments: signal products and power products. The Company's Signal Products Group manufactures a broad range of low pass EMI filters, filtered arrays, filtered connectors, wireless products (coaxial ceramic resonators, patch antennas, bandpass filters, and duplexers), and specialty ceramic capacitors. The Power Technologies Group manufactures various power management and conditioning products including power distribution units, power line filters, and power entry devices. In addition, the Company recently developed and introduced an advanced systems product offering to become a provider of more complex power management systems, including a line of digital radio-frequency control equipment for remote and automatic electronic systems management. For operating segment reporting purposes, these advanced systems are included in the Power Technologies Group. The reportable segments are each managed separately because they manufacture and sell distinct products with different production processes.

The Company evaluates performance and allocates resources to its operating segments based upon numerous factors, including segment income or loss before income taxes. The accounting policies of the reportable segments are the same as those utilized in the preparation of the Company's consolidated financial statements. However, substantially all of the Company's selling expenses, general and administrative expenses, and nonoperating expenses are not allocated to the Company's reportable operating segments and, accordingly, these expenses are not deducted in arriving at segment income or loss.

For each period presented, the accounting policies and procedures used to determine segment income (loss) have been consistently applied. Reportable segment information for the periods ended May 31, 2002 and 2001 is as follows (in thousands):

Three Months Ended May 31:		Signal Products	Power Products	Total
	2002			
	Revenue from unaffiliated customers	$ 11,613	$ 2,740	$ 14,353
	Segment income (loss)	2,508	(299)	2,209
	2001			
	Revenue from unaffiliated customers	18,444	6,836	25,280
	Segment income (loss)	3,838	1,395	5,233
Six Months Ended May 31:				
	2002			
	Revenue from unaffiliated customers	20,839	5,007	25,846
	Segment income (loss)	3,704	(803)	2,901
	2001			
	Revenue from unaffiliated customers	43,914	12,178	56,092
	Segment income (loss)	11,192	1,920	13,112

A reconciliation of total reportable segment income (loss) to consolidated income (loss) before provision for income taxes for the periods ended May 31, 2002 and 2001 is as follows (in thousands):

	Three Months Ended May 31,		Six Months Ended May 31,	
	2002	2001	2002	2001
Total income for reportable segments	$ 2,209	$ 5,233	$ 2,901	$ 13,112
Unallocated amounts:				

Selling, general and administrative expense		(2,762)		(4,272)		(5,409)		(9,306)
Interest expense		(35)		(60)		(77)		(116)
Other income		885		104		1,040		251
Consolidated income (loss) before provision for income taxes	$	297	$	1,005	$	(1,545)	$	3,941

Note 11 - New Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not expect the adoption of SFAS No. 143 to have a material impact on its financial position or results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 establishes one accounting model for long-lived assets to be disposed of by sale, requiring those assets be measured at the lower of carrying amount or fair value less cost to sell. This accounting model applies to all long-lived assets, including those associated with discontinued operations, and replaces certain prior pronouncements and guidance. The provisions of SFAS No. 144 are generally effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS No. 144 to have a material impact on its financial position or results of operations.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). Among other items, SFAS No. 145 updates and clarifies existing accounting pronouncements related to gains and losses from the extinguishment of debt and certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of SFAS No. 145 are generally effective as of May 15, 2002. The adoption of SFAS No. 145 did not have a material impact on the Company's financial position or results of operations.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis may be understood more fully by reference to the consolidated financial statements, notes to the consolidated financial statements, and management's discussion and analysis contained in the Spectrum Control, Inc. and Subsidiaries annual report on Form 10-K for the fiscal year ended November 30, 2001. All references to "we", "us", "our", or the "Company" in the following discussion and analysis mean Spectrum Control, Inc. and its Subsidiaries.

Overview

We were founded as a solutions-oriented company, designing and manufacturing products to suppress or eliminate electromagnetic interference ("EMI"). In recent years, we broadened our focus and product lines to become a control products and systems company, providing a wide range of components and systems used to condition, regulate, transmit, receive, or govern electronic performance. Although our components and systems are used in many industries worldwide, our largest markets are telecommunications equipment and military/aerospace which represented 52.0% and 28.0%, respectively, of our fiscal 2001 sales. In telecommunications, our products are used in numerous systems including wireless base stations, fiber optic networks and broadband switching equipment, Internet servers, and global positioning systems. Military/aerospace applications for our products include missile defense systems, smart weapons and munitions, simulation equipment, and avionic upgrades. Our other markets include medical instrumentation, industrial equipment, computer, and automotive.

Our operations are primarily conducted in two reportable business segments: signal products and power products. Our Signal Products Group manufactures a broad line of discrete EMI filters, filtered arrays, filtered connectors, wireless products (coaxial ceramic resonators, patch antennas, bandpass filters, and duplexers), and specialty ceramic capacitors (single layer, temperature compensating, high voltage, and switch mode). Our Power Technologies Group currently manufactures various power management and conditioning products including power distribution units, power line filters, and power entry devices. Recently, we developed and introduced an advanced systems product offering to become a provider of more complex power management systems, including a line of digital radio-frequency control equipment for remote and automatic electronic systems management. For operating segment reporting purposes, these advanced systems are included in our Power Technologies Group.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are instead subject to a periodic impairment test at least annually. Other intangible assets continue to be amortized over their useful lives.

Effective December 1, 2001, the Company adopted SFAS No. 142. Accordingly, no amortization of goodwill was recognized in the accompanying consolidated statements of operations for the periods ended May 31, 2002. In the comparable periods of 2001, goodwill amortization of $205,000 for the three months ended May 31, 2001 and $405,000 for the six months ended May 31, 2001 was recognized and included in selling, general and administrative expense. As required by SFAS No. 142, the results for the periods ended May 31, 2001 have not been restated. If the Company had discontinued amortization of goodwill at the beginning of fiscal year 2001, net income for the three month and six month periods ended May 31, 2001 would have increased $127,000 and $251,000, respectively. Basic and diluted earnings per share would have each increased by $0.01 for the three month period ended May 31, 2001 and $0.02 for the six month period ended May 31, 2001.

In accordance with the provisions of SFAS No. 142, the Company has performed the required transitional impairment test of goodwill and has determined that no impairment loss need be recognized in the periods ended May 31, 2002.

Forward-Looking Information

The following discussion includes certain "forward-looking statements" within the meaning of the federal securities laws, including statements regarding: (1) our belief as to future market conditions, (2) our anticipated capital expenditures, and (3) our expected future operating requirements and financing needs. The words "believe", "expect", "anticipate" and similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from historical results or those anticipated. Factors that could cause or contribute to such differences include those discussed in "Risk Factors That May Affect Future Results", as well as those discussed elsewhere herein. Readers are cautioned not to place undue reliance on these forward-looking statements.

Results of Operations

The following table sets forth certain financial data, as a percentage of net sales, for the three months and six months ended May 31, 2002 and 2001:

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of products sold	82.1	76.8	86.4	74.9
Gross margin	17.9	23.2	13.6	25.1
Selling, general and administrative expense	21.8	19.4	23.3	18.3

Income (loss) from operations	(3.9)	3.8	(9.7)	6.8
Other income (expense)				
Interest expense	(0.2)	(0.2)	(0.3)	(0.2)
Other income and expense, net	6.2	0.4	4.0	0.4
Income (loss) before provision				
for income taxes	2.1	4.0	(6.0)	7.0
Provision for income taxes				
(benefit)	0.8	1.5	(2.3)	2.6
Net income (loss)	1.3 %	2.5 %	(3.7) %	4.4 %

Second Quarter 2002 Versus Second Quarter 2001

Net Sales

Throughout the second quarter of fiscal 2002, our sales continued to be negatively impacted by the industry-wide slowdown in capital spending by major telecommunications carriers. Overall, our net sales decreased by $10.9 million during the period, with consolidated net sales of $14.4 million in the second quarter of fiscal 2002 and $25.3 million in the comparable quarter of 2001. This decrease reflects reduced shipment volume for substantially all of our product lines. Sales of signal products amounted to $11.6 million in the current quarter, compared to $18.4 million in the second quarter of last year. Sales of power products, including advanced systems, decreased by $4.1 million during the period, from $6.9 million in the second quarter of fiscal 2001 to $2.8 million in the current quarter. As a result of competitive pressures, average selling prices declined slightly in 2002 throughout most of our product lines. Customer orders received in the second quarter of fiscal 2002 amounted to $14.6 million, compared to $17.7 million in the same period last year. At May 31, 2002, our sales order backlog was approximately $24.2 million, up $1.4 million from the end of last fiscal year.

For over a year and a half, the telecommunications equipment market has experienced a severe industry-wide downturn. This downturn has been driven by several factors, including: (1) the collapse of numerous start-up, competitive service providers and dot coms resulting in excess component inventories, unsold telecom systems, and a secondary market of used equipment throughout the telecommunications industry and (2) reduced spending for infrastructure and network equipment by incumbent telephone service providers as competitive pressures from start-up service providers have eased and certain technological advances have stalled. During the second quarter of 2002, we believe these very poor market conditions continued to demonstrate some signs of stabilizing. Customer order cancellation