

ODYSSEY MARINE EXPLORATION INC
Form 10-Q
November 07, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2007

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 1-31895

ODYSSEY MARINE EXPLORATION, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

5215 W. Laurel Street, Tampa, Florida 33607

(Address of principal executive offices) (Zip code)

(813) 876-1776

84-1018684
(I.R.S. Employer
Identification No.)

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(Registrant's telephone number, including area code)

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer: Accelerated filer: Non-accelerated filer:

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

The number of outstanding shares of the registrant's Common Stock, \$.0001 par value, as of November 1, 2007 was 47,338,773.

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| | (Unaudited) September 30, | December 31, |
|---|------------------------------|----------------------|
| | 2007 | 2006 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 11,881,858 | \$ 2,415,842 |
| Accounts receivable, net | 616,835 | 443,523 |
| Inventory | 2,527,453 | 2,263,078 |
| Other current assets | 450,306 | 359,665 |
| Total current assets | 15,476,452 | 5,482,108 |
| PROPERTY AND EQUIPMENT | | |
| Equipment and office fixtures | 13,482,724 | 12,764,389 |
| Building and land | 3,709,873 | 3,709,873 |
| Accumulated depreciation | (6,263,841) | (4,539,855) |
| Total property and equipment | 10,928,756 | 11,934,407 |
| OTHER ASSETS | | |
| Inventory (non current) | 6,041,171 | 7,353,159 |
| Attraction development | 928,247 | 1,261,573 |
| Other non current assets | 1,150,340 | 1,176,606 |
| Total other assets | 8,119,758 | 9,791,338 |
| Total assets | \$ 34,524,966 | \$ 27,207,853 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 513,113 | \$ 498,482 |
| Accrued expenses | 2,131,939 | 1,947,082 |
| Mortgage and loans payable | 3,447,898 | 3,443,605 |
| Deposits | 12,304 | 11,979 |
| Total current liabilities | 6,105,254 | 5,901,148 |
| LONG TERM LIABILITIES | | |
| Mortgage and loans payable | 2,712,924 | 3,053,485 |
| Deferred income from Revenue Participation Certificates | 887,500 | 887,500 |
| Total long term liabilities | 3,600,424 | 3,940,985 |
| Total liabilities | 9,705,678 | 9,842,133 |

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STOCKHOLDERS EQUITY

| | | |
|---|---------------|---------------|
| Preferred stock \$.0001 par value; 2,469,980 shares authorized; none outstanding | | |
| Preferred stock series D convertible \$.0001 par value; 7,340,000 shares authorized; 6,900,000 and 2,500,000 issued and outstanding, respectively | 690 | 250 |
| Preferred stock series E convertible \$.0001 par value; 20 shares authorized; 13 issued and outstanding | | |
| Common stock \$.0001 par value; 100,000,000 shares authorized; 47,237,106 and 46,785,254 issued and outstanding | 4,724 | 4,678 |
| Additional paid-in capital | 78,767,947 | 55,437,954 |
| Accumulated deficit | (53,954,073) | (38,077,162) |
| Total stockholders equity | 24,819,288 | 17,365,720 |
| Total liabilities and stockholders equity | \$ 34,524,966 | \$ 27,207,853 |

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited**

| | Three Months Ended | |
|--|---------------------------|----------------------|
| | September 30, | September 30, |
| | 2007 | 2006 |
| REVENUE | \$ 1,314,248 | \$ 586,778 |
| OPERATING EXPENSES | | |
| Cost of sales | 406,425 | 303,189 |
| Marketing, general and administrative | 2,843,352 | 1,320,404 |
| Operations and research | 3,483,606 | 5,099,625 |
| Total operating expenses | 6,733,383 | 6,723,218 |
| LOSS FROM OPERATIONS | (5,419,135) | (6,136,440) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 113,966 | 20,517 |
| Interest expense | (124,978) | (86,179) |
| Other | 18,512 | 11,325 |
| Total other income (expense) | 7,500 | (54,337) |
| LOSS BEFORE INCOME TAXES | (5,411,635) | (6,190,777) |
| Income tax benefit (provision) | | |
| NET LOSS | (5,411,635) | (6,190,777) |
| LOSS PER SHARE | | |
| Basic and diluted | \$ (.11) | \$ (.13) |
| Weighted average number of common shares outstanding | | |
| Basic and diluted | 47,204,133 | 46,127,678 |

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited**

| | Nine Months Ended | |
|--|-------------------|---------------|
| | September 30, | September 30, |
| | 2007 | 2006 |
| REVENUE | \$ 5,195,793 | \$ 3,409,790 |
| OPERATING EXPENSES | | |
| Cost of sales | 1,418,394 | 677,126 |
| Marketing, general and administrative | 8,533,813 | 5,904,750 |
| Operations and research | 10,698,541 | 11,101,612 |
| Total operating expenses | 20,650,748 | 17,683,488 |
| LOSS FROM OPERATIONS | (15,454,955) | (14,273,698) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 226,379 | 90,377 |
| Interest expense | (372,163) | (164,376) |
| Other | 61,326 | 36,792 |
| Total other income (expense) | (84,458) | (37,207) |
| LOSS BEFORE INCOME TAXES | (15,539,413) | (14,310,905) |
| Income tax benefit (provision) | | |
| NET LOSS | (15,539,413) | (14,310,905) |
| LOSS PER SHARE | | |
| Basic and diluted | \$ (.34) | \$ (.31) |
| Weighted average number of common shares outstanding | | |
| Basic and diluted | 47,033,938 | 46,066,563 |

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited**

| | Nine Months Ended | |
|---|----------------------|---------------------|
| | September 30, | September 30, |
| | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Loss | \$ (15,539,413) | \$ (14,310,905) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 1,986,063 | 2,329,004 |
| Loss (Gain) on disposal of equipment | 18,576 | (252,396) |
| Share-based compensation | 869,929 | 425,260 |
| (Increase) decrease in: | | |
| Accounts receivable | (173,312) | 434,245 |
| Inventory | 1,047,613 | 606,884 |
| Other assets | (70,933) | 109,420 |
| Increase (decrease) in: | | |
| Accounts payable | 14,631 | (38,221) |
| Customer deposits | | (82,979) |
| Accrued expenses | 374,577 | (718,401) |
| NET CASH (USED) IN OPERATING ACTIVITIES | (11,472,269) | (11,498,089) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (659,105) | (2,141,016) |
| Proceeds from sale of equipment | | 550,000 |
| Attraction development | | (72,776) |
| NET CASH (USED) IN INVESTING ACTIVITIES | (659,105) | (1,663,792) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 723,655 | 413,068 |
| Proceeds from issuance of preferred stock | 21,255,000 | 8,750,000 |
| Broker commission and fees on private offering | (45,000) | (45,000) |
| Proceeds from mortgage and loans payable | | 3,694,583 |
| Repayment of mortgage and loans payable | (336,265) | (1,573,076) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 21,597,390 | 11,239,575 |
| NET INCREASE (DECREASE) IN CASH | 9,466,016 | (1,922,306) |
| CASH AT BEGINNING OF PERIOD | 2,415,842 | 3,283,331 |
| CASH AT END OF PERIOD | \$ 11,881,858 | \$ 1,361,025 |
| SUPPLEMENTARY INFORMATION: | | |
| Interest paid | \$ 361,732 | \$ 155,425 |
| Income taxes paid | \$ | \$ |
| NON CASH TRANSACTIONS: | | |
| Beneficial conversion option related to preferred stock issuance | \$ 337,498 | \$ |

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| | | | |
|---|----|---------|-----------|
| Settlement of accounts receivable with accounts payable | \$ | \$ | 53,539 |
| Equipment purchased with financing | \$ | \$ | 1,120,000 |
| Accrued compensation paid by common stock | \$ | 189,395 | \$ |

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Summary of Significant Non-Cash Transactions

During June 2006, we entered into a mortgage loan for \$2.5 million with Carolina First Bank for the refinancing of our corporate office building. At the closing of this loan, the outstanding amount of approximately \$1.8 million due on the original mortgage with Bank of Tampa was paid in full.

During the period ended September 30, 2007, \$327,341 of Attraction Development assets were activated and transferred into Property and Equipment.

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

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Odyssey Marine Exploration, Inc. and subsidiaries (the Company, Odyssey, us, we or our) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and the instructions to Form 10-Q and, therefore, do not include all information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles. We suggest these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

In the opinion of management, these financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position as of September 30, 2007, and the results of operations, and cash flows for the interim periods presented. Operating results for the three-month period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding our financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity and have prepared them in accordance with our customary accounting practices.

Principles of Consolidation