Deep Down announces 96% increase in revenues

2008-09-11 14:00:00 by Rons_ROV_Links

Deep Down, Inc. announced unaudited results on August 15, 2008, for the three months and six months ended June 30, 2008, on Form 10-Q filed with the U.S. Securities and Exchange Commission.Deep Down generated revenue of $14.2 million for the six months ended June 30, 2008 compared to $7.2 million for the same period last year, an increase of $7.0 million, or 96%. Our acquisitions accounted for $5.1 million of this increase. Mako was included for the entire period and accounted for $2.7 million of the increase. Flotation Technologies was included for two months and accounted for $1.5 million of the increase. ElectroWave was included for six months and accounted for $0.9 million of the increase, but the six month period in 2007 included only three months revenue for ElectroWave since it was acquired in April 2007. Our existing businesses continued to strengthen with increased revenues of $1.9 million, or 29%, over last year's six month period. Contract revenues were up 25%, and rentals were up 47%. Our offshore market continues to be strong as we continue to expand our customer base.

Deep Down generated revenues of $7.9 million for the three months ended June 30, 2008 compared to $5.1 million for the same period last year, an increase of $2.8 million, or 54%. Our acquisitions represented $3.0 million of the increase in revenue in addition to a slight revenue decrease in the core business of $0.2 million. This slight decrease in revenue was a result of certain customers delaying scheduled projects.

Gross margin for the six months ended June 30, 2008 was $4.8 million compared to $2.7 million in the same prior year period, an increase of $2.1 million, or 79%. $1.4 million of the increase is attributable to the inclusion of the acquisitions in this period. The overall gross margin was 34 % for the first six months of 2008 as compared to 37% for the same period last year. The gross margin is slightly lower due to an increase in personnel.

SG&A for the six months ended June 30, 2008, was $5.4 million compared to $1.8 million for the same period last year, an increase of $3.6 million, or 209%. The acquisitions of Mako and Flotation represented $1.5 million of the increase. Bad debt expense increased by $0.8 million due to the write-off of two accounts, one of which filed for bankruptcy protection during the quarter ($0.2 million of the total bad debt is included in the Mako subsidiary). Personnel and related costs increased by $1.0 million primarily due to an expansion of our businesses, combined with the related costs of administering a public company and complying with reporting requirements. Additionally, we paid approximately $0.7 million in professional, accounting, and legal fees to support our various initiatives during the six months ended June 30, 2008, including the filing of a registration statement, acquisitions and reporting requirements. Stock based compensation related to employee stock options and restricted stock was approximately $0.3 million in the current fiscal year compared to approximately $40,000 for the comparable prior year period.

Operating loss for the six months ended June 30, 2008, was $1.5 million compared to operating income of $0.8 million for the same prior year period. Net loss for the six months ended June

30, 2008, was $5.0 million compared to net income of $0.8 million for the same prior period. Income was impacted by one-time interest expense and loss on debt extinguishment expenses totaling $2.6 million related to the early payoff of our secured credit agreement (the "Credit Agreement"). Earnings before interest, taxes, depreciation, amortization and other non-cash charges ("EBITDA") for the six months ended June 30, 2008, was $0.5 million, compared to $1.0 million, a decrease of $0.5 million over the same prior year period.

Interest expense for the six months ended June 30, 2008, was $3.5 million compared to $1.5 million for the same prior year period. In connection with the early payoff of the Credit Agreement, Deep Down accelerated the remaining deferred financing costs totaling $0.7 million and recorded this charge to interest expense. Additionally, $1.5 million in debt discounts were accelerated and recorded to interest expense, along with early termination fees of approximately $0.5 million. Deep Down paid cash interest related to the Credit Agreement totaling $0.8 million for the six months ended June 30, 2008. For the comparable period last year, $1.4 million of the total interest was related to accretion on the redemption of Series G and Series E Preferred Stock.

"I am pleased to report this quarter that Deep Down continues to improve its financial position. The Company is now essentially debt free and has retired all of its remaining preferred shares. Liquidity is strong with unrestricted cash and equivalents of $4.1 million and a current ratio of 3.8. Our working capital position is $10.8 million. Stockholders' equity has improved dramatically and is now $52.9 million compared to $12.6 million on December 31, 2007. We remain excited and optimistic about the prospects for continued revenue growth and a return to profitability," commented Robert E. Chamberlain, Jr., Deep Down's Chairman.

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