

OCEAN BIO CHEM INC
Form 10-Q
August 14, 2017

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 June 30, 2017

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: 0-11102

OCEAN BIO-CHEM, INC.

(Exact name of registrant as specified in its charter)

Florida **59-1564329**
(State or other jurisdiction of **(I.R.S. Employer**

incorporation or organization) Identification No.)

4041 SW 47 AVENUE, FORT LAUDERDALE, FLORIDA 33314
(Address of principal executive offices) (Zip Code)

954-587-6280

(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company) Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At August 11, 2017, 9,227,843 shares of the registrant's Common Stock were outstanding.

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

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PART 1 - FINANCIAL INFORMATION**Item 1. Financial Statements****OCEAN BIO-CHEM, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30,	December 31,
	2017	2016
	(Unaudited)	
ASSETS		
Current Assets:		
Cash	\$ 868,070	\$ 4,070,445
Trade accounts receivable less allowances of approximately \$95,000 and \$75,000, respectively	6,247,987	4,931,792
Receivables due from affiliated companies	1,310,846	1,190,103
Inventories, net	10,208,993	8,600,689
Prepaid expenses and other current assets	732,570	1,013,952
Total Current Assets	19,368,466	19,806,981
Property, plant and equipment, net	6,977,248	4,895,973
Intangible assets, net	932,548	967,688
Total Assets	\$ 27,278,262	\$ 25,670,642
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 56,462	\$ 278,392
Accounts payable - trade	2,229,855	1,512,020
Income taxes payable	26,555	1,447
Accrued expenses payable	1,242,341	1,099,919
Total Current Liabilities	3,555,213	2,891,778
Deferred tax liability	243,386	213,367
Long-term debt, less current portion	40,851	50,426
Total Liabilities	3,839,450	3,155,571
Commitments		
Shareholders' Equity:		
Common stock - \$.01 par value, 12,000,000 shares authorized; 9,158,243 and 9,146,937 shares issued and outstanding	91,582	91,469
Additional paid in capital	9,621,881	9,604,634

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Accumulated other comprehensive loss	(287,355)	(286,555)
Retained earnings	14,012,704	13,105,523
Total Shareholders' Equity	23,438,812	22,515,071
 Total Liabilities and Shareholders' Equity	 \$27,278,262	 \$ 25,670,642

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

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$9,902,717	\$8,724,343	\$18,294,696	\$15,474,423
Cost of goods sold	5,624,496	5,053,439	10,881,758	9,421,576
Gross profit	4,278,221	3,670,904	7,412,938	6,052,847
Operating Expenses:				
Advertising and promotion	893,966	869,648	1,742,324	1,585,520
Selling and administrative	1,983,838	1,793,962	3,527,861	4,279,825
Total operating expenses	2,877,804	2,663,610	5,270,185	5,865,345
Operating income	1,400,417	1,007,294	2,142,753	187,502
Other expense				
Interest, net (expense)	(942)	(4,913)	(2,890)	(10,797)
Income before income taxes	1,399,475	1,002,381	2,139,863	176,705
Provision for income taxes	(446,963)	(345,840)	(683,427)	(60,966)
Net income	\$952,512	\$656,541	\$1,456,436	\$115,739
Earnings per common share – basic and diluted	\$0.10	\$0.07	\$0.16	\$0.01
Dividends declared per common share	\$0.06	\$---	\$0.06	\$0.06

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

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$952,512	\$656,541	\$1,456,436	\$115,739
Foreign currency translation adjustment	759	(2,540)	(800)	(206)
Comprehensive income	\$953,271	\$654,001	\$1,455,636	\$115,533

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

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$1,456,436	\$115,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	487,442	491,495
Deferred income taxes	30,019	(32,786)
Stock based compensation	17,360	---
Other operating non-cash items	31,413	92,334
Changes in assets and liabilities:		
Trade accounts receivable	(1,336,219)	(480,437)
Receivables due from affiliated companies	(120,743)	(21,589)
Inventories	(1,614,440)	(966,496)
Prepaid expenses and other current assets	281,382	59,016
Accounts payable	717,835	685,758
Income taxes payable	25,108	79,338
Accrued expenses payable	142,422	211,204
Net cash provided by operating activities	118,015	233,576
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,533,577)	(157,335)
Net cash used in investing activities	(2,533,577)	(157,335)
Cash flows from financing activities:		
Payments on long-term debt	(231,505)	(225,167)
Dividends paid to common shareholders	(549,255)	(540,531)
Proceeds from exercise of stock options	---	21,600
Net cash used in financing activities	(780,760)	(744,098)
Effect of exchange rates on cash	(6,053)	(4,985)
Net decrease in cash	(3,202,375)	(672,842)
Cash at beginning of period	4,070,445	2,468,415
Cash at end of period	\$868,070	\$1,795,573

Supplemental disclosure of cash flow information:

Cash paid for interest during period	\$
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