

MAJESCO ENTERTAINMENT CO

Form 10-Q

June 14, 2007

Table of Contents

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 April 30, 2007

Commission File No. 000-51128

Majesco Entertainment Company

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

606-1529524
(I.R.S. Employer
Identification No.)

160 Raritan Center Parkway, Edison, NJ 08837

(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (732) 225-8910

(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

As of June 14, 2007, there were 23,863,196 shares of the Registrant's common stock outstanding.

MAJESCO ENTERTAINMENT COMPANY AND SUBSIDIARY
 April 30, 2007 QUARTERLY REPORT ON FORM 10-Q

INDEX

	Page
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheet as of April 30, 2007 (unaudited) and October 31, 2006</u>	<u>3</u>
<u>Condensed Consolidated Statement of Operations for the three and six months ended April 30, 2007 and 2006 (unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statement of Cash Flows for the six months ended April 30, 2007 and 2006 (unaudited)</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>6</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>12</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>20</u>
Item 4. <u>Controls and Procedures</u>	<u>20</u>
PART II – OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>21</u>
Item 1A. <u>Risk Factors</u>	<u>21</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>21</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>21</u>
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	<u>21</u>
Item 5. <u>Other Information</u>	<u>21</u>
Item 6. <u>Exhibits</u>	<u>21</u>
SIGNATURES	
CERTIFICATIONS	

Table of Contents

MAJESCO ENTERTAINMENT COMPANY AND SUBSIDIARY
 CONDENSED CONSOLIDATED BALANCE SHEET
 (in thousands, except share amounts)

Edgar Filing: MAJESCO ENTERTAINMENT CO - Form 10-Q

	April 30, 2007 (unaudited)	October 31, 2006
ASSETS		
Current assets		
Cash	\$ 4,196	\$ 3,794
Due from factor	2,215	1,189
Accounts and other receivables	1,388	3,103
Inventory – principally finished goods	2,790	2,438
Capitalized software development costs and prepaid license fees	1,558	1,489
Prepaid expenses	169	2,226
Total current assets	12,316	14,239
Property and equipment – net	653	701
Other assets	71	71
Total assets	\$ 13,040	\$ 15,011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	11,481	\$ 10,911
Inventory financing payable	796	1,390
Advances from customers	320	961
Total current liabilities	12,597	13,262
Stockholders' equity:		
Common stock – \$.001 par value; 250,000,000 shares authorized; 23,837,156 and 23,427,462 issued and outstanding at April 30, 2007 and October 31, 2006, respectively	24	23
Additional paid in capital	95,494	94,529
Accumulated deficit	(95,015)	(92,754)
Accumulated other comprehensive loss	(60)	(49)
Total stockholders' equity	443	1,749
Total liabilities and stockholders' equity	\$ 13,040	\$ 15,011

See accompanying notes

3

Table of Contents

MAJESCO ENTERTAINMENT COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except share amounts)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Net revenues	\$ 14,564	\$ 11,185	\$ 29,111	\$ 32,823

Edgar Filing: MAJESCO ENTERTAINMENT CO - Form 10-Q

Cost of sales				
Product costs	6,221	5,536	14,392	15,089
Software development costs and license fees	2,231	2,154	4,053	6,272
	8,452	7,690	18,445	21,361
Gross profit	6,112	3,495	10,666	11,462
Operating expenses				
Research and development	543	629	1,151	1,397
Selling and marketing	1,903	1,869	3,686	6,325
General and administrative	2,135	2,586	4,438	4,960
Gain on settlement of liabilities and other gains	(208)	(3,097)	(239)	(3,097)
Settlement of litigation and related charges, net	2,500	—	2,500	—
Loss on impairment of software development costs	35	—	35	2,375
Depreciation and amortization	72	128	145	263
	6,980	2,115	11,716	12,223
Operating income (loss)	(868)	1,380	(1,050)	(761)
Other costs and expenses				
Interest expense and financing costs, net	467	541	1,211	986
Income (loss) before income taxes	(1,335)	839	(2,261)	(1,747)
Provision for income taxes	—	—	—	—
Net Income (loss)	\$ (1,335)	\$ 839	\$ (2,261)	\$ (1,747)
Net Income (loss) per share:				
Basic and diluted	\$ (0.06)	\$ 0.04	\$	