

U.S. Auto Parts Network, Inc.
Form 10-Q
May 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2016

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: 001-33264

U.S. AUTO PARTS NETWORK, INC.
(Exact name of registrant as specified in its charter)

Delaware 68-0623433
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
16941 Keegan Avenue, Carson, CA 90746
(Address of Principal Executive Office) (Zip Code)
(310) 735-0085
(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 (§232.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 May 6, 2016, the registrant had 34,677,434 shares of common stock outstanding, \$0.001 par value.

U.S. AUTO PARTS NETWORK, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE THIRTEEN WEEKS ENDED APRIL 2, 2016
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Unless the context requires otherwise, as used in this report, the terms “U.S. Auto Parts,” the “Company,” “we,” “us” and “our” refer to U.S. Auto Parts Network, Inc. and its wholly-owned and majority-owned subsidiaries. Unless otherwise stated, all amounts are presented in thousands. In addition, unless the context requires otherwise, references to AutoMD refer to AutoMD, Inc., our majority-owned subsidiary.

U.S. Auto Parts®, U.S. Auto Parts Network™, AutoMD®, AutoMD Insta-Quotes! ®, Kool-Vue™, JC Whitney®, and Stylintrucks™, amongst others, are our United States trademarks. All other trademarks and trade names appearing in this report are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements included in this report, other than statements or characterizations of historical or current fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we intend that such forward-looking statements be subject to the safe harbors created thereby. Any forward-looking statements included herein are based on management’s beliefs and assumptions and on information currently available to management. We have attempted to identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would”, “will likely result” and variations of these words or similar expressions. These forward-looking statements include, but are not limited to, statements regarding future events, our future operating and financial results, financial expectations, expected growth and strategies, current business indicators, capital needs, financing plans, capital deployment, liquidity, contracts, litigation, product offerings, customers and suppliers, acquisitions, competition and the status of our facilities. Forward-looking statements, no matter where they occur in this document or in other statements attributable to the Company involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk Factors” in Part II, Item 1A of this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this report and the documents that we reference in this report and have filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited, In Thousands, Except Par Value and Per Share Liquidation Value)

	April 2, 2016	January 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,542	\$5,537
Short-term investments	65	65
Accounts receivable, net of allowances of \$34 and \$17 at April 2, 2016 and January 2, 2016, respectively	3,461	3,236
Inventory	46,937	51,216
Other current assets	3,109	2,475
Total current assets	58,114	62,529
Property and equipment, net	18,138	18,431
Intangible assets, net	1,356	1,476
Other non-current assets	1,253	1,320
Total assets	\$78,861	\$83,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$27,635	\$25,523
Accrued expenses	7,679	7,267
Revolving loan payable	3,000	11,759
Current portion of capital leases payable	530	521
Other current liabilities	4,456	3,854
Total current liabilities	43,300	48,924
Capital leases payable, net of current portion	10,128	10,168
Deferred income taxes	766	944
Other non-current liabilities	1,566	1,577
Total liabilities	55,760	61,613
Commitments and contingencies		
Stockholders' equity:		
Series A convertible preferred stock, \$0.001 par value; \$1.45 per share liquidation value or aggregate of \$6,017; 4,150 shares authorized; 4,150 shares issued and outstanding at April 2, 2016 and January 2, 2016	4	4
Common stock, \$0.001 par value; 100,000 shares authorized; 34,675 and 34,137 shares issued and outstanding at April 2, 2016 and January 2, 2016	35	34
Additional paid-in capital	176,919	176,873
Accumulated other comprehensive income	421	440
Accumulated deficit	(155,819)	(157,011)
Total stockholders' equity	21,560	20,340
Noncontrolling interest	1,541	1,803
Total equity	23,101	22,143
Total liabilities and stockholders' equity	\$78,861	\$83,756

See accompanying notes to consolidated financial statements (unaudited).

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE OPERATIONS
(Unaudited, in Thousands, Except Per Share Data)

	Thirteen Weeks Ended	
	April 2, 2016	April 4, 2015
Net sales	\$ 80,806	\$ 76,388
Cost of sales ⁽¹⁾	56,214	54,910
Gross profit	24,592	21,478
Operating expenses:		
Marketing	11,490	10,852
General and administrative	4,485	4,181
Fulfillment	6,038	5,060
Technology	1,277	1,288
Amortization of intangible assets	120	115
Total operating expenses	23,410	21,496
Income (loss) from operations	1,182	(18)
Other income (expense):		
Other income, net	6	23
Interest expense	(347)	(373)
Total other expense, net	(341)	(350)
Income (loss) before income taxes	841	(368)
Income tax provision (benefit)	(149)	(52)
Net income (loss) including noncontrolling interests	990	(316)
Net loss attributable to noncontrolling interests	(262)	(256)
Net income (loss) attributable to U.S. Auto Parts	1,252	(60)
Other comprehensive loss attributable to U.S. Auto Parts:		
Foreign currency translation adjustments	(5)	(10)
Total other comprehensive loss attributable to U.S. Auto Parts	(5)	(10)
Comprehensive income (loss) attributable to U.S. Auto Parts	\$ 1,247	\$