

1 800 CONTACTS INC  
Form 10-Q  
November 09, 2006

## **UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

# 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 September 30, 2006

or

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

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For the transition period from \_\_\_\_\_ to \_\_\_\_\_.



**Commission file number:** 0-23633

**1-800 CONTACTS, INC.**

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(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**87-0571643**

(I.R.S. Employer Identification No.)

**66 E. Wadsworth Park Drive,  
Draper, UT**

(Address of principal executive offices)

**84020**

(Zip Code)

**(801) 316-5000**

(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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 November 2, 2006, the Registrant had 14,026,345 shares of Common Stock, par value \$0.01 per share, outstanding.

1-800 CONTACTS, INC.

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**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements****1-800 CONTACTS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	<b>December 31, 2005</b>	<b>September 30, 2006</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,481	\$ 1,538
Accounts receivable, net	3,451	3,483
Other receivables	1,738	2,150
Inventories, net	21,458	21,988
Deferred income taxes	1,624	1,955
Other current assets	3,792	3,001
Total current assets	33,544	34,115
PROPERTY AND EQUIPMENT, net	29,705	31,791
DEFERRED INCOME TAXES	1,087	1,007
GOODWILL	35,405	36,742
DEFINITE-LIVED INTANGIBLES, net	13,847	11,958
OTHER ASSETS	1,357	1,253
Total assets	\$ 114,945	\$ 116,866
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$	\$ 27,216
Current portion of long-term debt	1,633	2,404
Current portion of capital lease obligations	58	25
Income taxes payable	567	703
Accounts payable	12,063	11,191
Accrued liabilities	8,197	10,156
Unearned revenue	3,299	2,053
Total current liabilities	25,817	53,748
<b>LONG-TERM LIABILITIES:</b>		
Line of credit	23,746	
Long-term debt, net of current portion	6,440	4,816
Capital lease obligations, net of current portion	83	46
Unearned revenue, net of current portion	973	
Other long-term liabilities	669	848
Total long-term liabilities	31,911	5,710
<b>STOCKHOLDERS EQUITY</b>		
Common stock, 13,340 and 13,370 issued, respectively	133	134
Additional paid-in capital	47,876	50,334
Treasury stock at cost, 0 and 1,187 shares, respectively		(18)
Retained earnings	9,613	7,221
Accumulated other comprehensive loss	(405)	(263)
Total stockholders equity	57,217	57,408
Total liabilities and stockholders equity	\$ 114,945	\$ 116,866

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See accompanying notes to condensed consolidated financial statements.

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**1-800 CONTACTS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	<b>Quarter Ended October 1 2005</b>	<b>September 30, 2006</b>	<b>Three Quarters Ended October 1 2005</b>	<b>September 30, 2006</b>
NET SALES	\$ 60,858	\$ 64,329	\$ 182,506	\$ 190,975
COST OF GOODS SOLD	37,706	40,427	113,178	119,963
Gross profit	23,152	23,902	69,328	71,012
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:				