

OVERSTOCK.COM, INC
Form 10-Q
August 07, 2015
Table of Contents

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 June 30, 2015

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: 000-49799

OVERSTOCK.COM, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

87-0634302

(I.R.S. Employer Identification Number)

6350 South 3000 East, Salt Lake City, Utah 84121
(Address, including zip code, of Registrant's principal
executive offices)

(801) 947-3100

(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), (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

Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: OVERSTOCK.COM, INC - Form 10-Q

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

There were 24,325,438 shares of the Registrant's common stock, par value \$0.0001, outstanding on August 3, 2015.

Table of Contents

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	<u>3</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>47</u>
Item 4.	<u>Controls and Procedures</u>	<u>48</u>

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>50</u>
Item 1A.	<u>Risk Factors</u>	<u>50</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>71</u>
Item 3.	<u>Defaults upon Senior Securities</u>	<u>71</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>71</u>
Item 5.	<u>Other Information</u>	<u>71</u>
Item 6.	<u>Exhibits</u>	<u>71</u>
	<u>Signature</u>	<u>73</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Overstock.com, Inc.

Consolidated Balance Sheets (Unaudited)

(in thousands)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 105,471	\$ 181,641
Restricted cash	505	580
Accounts receivable, net	15,843	18,963
Inventories, net	27,528	26,208
Prepaid inventories, net	2,448	3,214
Deferred tax assets, net	15,019	14,835
Prepays and other current assets	17,620	12,621
Total current assets	184,434	258,062
Fixed assets, net	65,956	52,071
Precious metals	10,853	10,905
Deferred tax assets, net	46,931	50,331
Goodwill	2,784	2,784
Other long-term assets, net	9,812	2,712
Total assets	\$ 320,770	\$ 376,865
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 68,178	\$ 112,787
Accrued liabilities	67,130	81,564
Deferred revenue	45,840	48,451
Notes payable, current	500	—
Total current liabilities	181,648	242,802
Other long-term liabilities	6,207	4,843
Total liabilities	187,855	247,645
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares - 5,000		
Issued and outstanding shares - none	—	—
Common stock, \$0.0001 par value		
Authorized shares - 100,000		
Issued shares - 27,633 and 27,241		
Outstanding shares - 24,325 and 24,037	2	2
Additional paid-in capital	368,260	366,252
Accumulated deficit	(149,457)	(153,864)
Accumulated other comprehensive loss	(736)	(621)
Treasury stock:		
Shares at cost - 3,308 and 3,204	(84,893)	(82,531)
Equity attributable to stockholders of Overstock.com, Inc.	133,176	129,238

Edgar Filing: OVERSTOCK.COM, INC - Form 10-Q

Equity attributable to noncontrolling interests	(261) (18)
Total equity	132,915	129,220	
Total liabilities and stockholders' equity	\$320,770	\$376,865	

See accompanying notes to unaudited consolidated financial statements.

3

Table of Contents

Overstock.com, Inc.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share data)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue, net				
Direct	\$34,428	\$33,215	\$70,563	\$71,262
Partner	353,585	299,330	715,794	602,490
Total net revenue	388,013	332,545	786,357	673,752
Cost of goods sold				
Direct(1)	31,235	29,473	63,762	62,570
Partner	283,121	240,447	573,501	484,561
Total cost of goods sold	314,356	269,920	637,263	547,131
Gross profit	73,657	62,625	149,094	126,621
Operating expenses:				
Sales and marketing(1)	28,087	23,543	56,059	46,935
Technology(1)	24,059	21,408	47,146	41,009
General and administrative(1)	19,429	15,881	39,963	31,177
Restructuring	—	—	—	(360)
Total operating expenses	71,575	60,832	143,168	118,761
Operating income	2,082	1,793	5,926	7,860
Interest income	38	37	81	78
Interest expense	(8)	(12)	(12)	(19)
Other income, net	1,163	524	1,768	983
Income before income taxes	3,275	2,342	7,763	8,902
Provision for income taxes	1,849	433	3,789	3,023
Consolidated net income	\$1,426	\$1,909	\$3,974	\$5,879
Less: Net loss attributable to noncontrolling interests	(242)	—	(433)	—
Net income attributable to stockholders of				
Overstock.com, Inc.	\$1,668	\$1,909	\$4,407	\$5,879
Net income per common share—basic:				
Net income attributable to common shares—basic	\$0.07	\$0.08	\$0.18	\$0.25
Weighted average common shares outstanding—basic	24,306	24,009	24,260	23,968
Net income per common share—diluted:				
Net income attributable to common shares—diluted	\$0.07	\$0.08	\$0.18	\$0.24
Weighted average common shares outstanding—diluted	24,398	24,190	24,394	24,265

(1) Includes stock-based compensation as follows (Note 6):

Cost of goods sold — direct	\$48	\$45	\$77	\$85
Sales and marketing	31	97	90	178
Technology	206	197	326	367
General and administrative	675	689	1,245	1,321
Total	\$960	\$1,028	\$1,738	\$1,951

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Overstock.com, Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Consolidated net income	\$1,426	\$1,909	\$3,974	\$5,879
Other comprehensive income (loss):				
Unrealized gain (loss) on cash flow hedges, net of benefit (expense) for taxes of (\$351), \$0, \$87, and \$0.	588	—	(115)) —
Other comprehensive income (loss)	588	—	(115)) —
Comprehensive income	\$2,014	\$1,909	\$3,859	\$5,879
Less: Comprehensive loss attributable to noncontrolling interests	(242) —	(433) —
Comprehensive income attributable to stockholders of Overstock.com, Inc.	\$2,256	\$1,909	\$4,292	\$5,879

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Overstock.com, Inc.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands)

	Six months ended June 30, 2015
Equity attributable to stockholders of Overstock.com, Inc.	
Number of common shares issued	
Balance at beginning of period	27,241
Common stock issued upon vesting of restricted stock	378
Exercise of stock options	14
Balance at end of period	27,633
Number of treasury stock shares	
Balance at beginning of period	3,204
Purchases of treasury stock	104
Balance at end of period	3,308
Total number of outstanding shares	24,325
Common stock	\$2
Additional paid-in capital	
Balance at beginning of period	\$366,252
Stock-based compensation to employees and directors	1,738
Exercise of stock options	270
Balance at end of period	\$368,260
Accumulated deficit	
Balance at beginning of period	\$(153,864)
Net income attributable to stockholders of Overstock.com, Inc.	4,407
Balance at end of period	\$(149,457)
Accumulated other comprehensive loss	
Balance at beginning of period	