

OVERSTOCK COM INC
Form 10-Q/A
August 09, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(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, 2004

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)

6322 South 3000 East, Suite 100
Salt Lake City, Utah 84121
(Address, including zip code, of
Registrant's principal executive offices)

Registrant's telephone number, including area code: (801) 947-3100

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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 is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes No

There were 18,269,209 shares of the Registrant's common stock, par value \$0.0001, outstanding on August 6, 2004.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Overstock.com, Inc.

Consolidated Balance Sheets

(in thousands)

	December 31, 2003	June 30, 2004 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,846	\$ 45,648
Marketable securities	11,500	21,206
Accounts receivable, net	10,183	6,579
Inventories, net	29,926	30,848
Prepaid expenses and other assets	4,583	7,013
Total current assets	85,038	111,294
Restricted cash		1,875
Property and equipment, net	9,483	11,303
Goodwill	2,784	2,784
Other long-term assets, net	427	1,765
Total assets	\$ 97,732	\$ 129,021
Liabilities, Redeemable Securities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 30,363	\$ 21,522
Accrued liabilities	9,316	9,911
Short-term borrowings		1,000
Capital lease obligations, current	75	698
Total current liabilities	39,754	33,131
Capital lease obligations, non-current	86	944
Total liabilities	39,840	34,075
Commitments and contingencies (Notes 9 and 10)		
Redeemable common stock, \$0.0001 par value, 460 shares issued and outstanding as of December 31, 2003 and June 30, 2004	2,978	3,072
Stockholders equity:		
Common stock, \$0.0001 par value, 100,000 shares authorized, 16,060 shares and 17,826 shares issued as of December 31, 2003 and June 30, 2004, respectively	2	2

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Additional paid-in capital	123,934	165,904
Accumulated deficit	(67,815)	(72,441)
Unearned stock-based compensation	(1,094)	(1,421)
Treasury stock, 35 shares at cost	(100)	(100)
Accumulated other comprehensive loss	(13)	(70)
Total stockholders' equity	54,914	91,874
Total liabilities, redeemable securities and stockholders' equity	\$ 97,732	\$ 129,021

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

Overstock.com, Inc.

Consolidated Statements of Operations (unaudited)

(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Revenue				
Direct	\$ 25,402	\$ 41,113	\$ 50,600	\$ 79,693
Fulfillment partner	3,431	46,679	7,397	90,177
Total revenue	28,833	87,792	57,997	169,870
Cost of goods sold				
Direct	23,014	36,786	46,498	71,602
Fulfillment partner	1,016	41,114	2,071	79,907
Total cost of goods sold	24,030	77,900	48,569	151,509
Gross profit	4,803	9,892	9,428	18,361
Operating expenses:				
Sales and marketing expenses	2,572	6,605	6,420	10,982
General and administrative expenses	3,367	5,567	7,912	11,818
Amortization of stock-based compensation	112	123	440	258
Total operating expenses	6,051	12,295	14,772	23,058
Operating loss	(1,248)	(2,403)	(5,344)	(4,697)
Interest income	142	127	294	225
Interest expense	(55)	(46)	(62)	(62)
Other income, net	25		35	2
Net loss	(1,136)	(2,322)	(5,077)	(4,532)
Deemed dividend related to redeemable common stock	(78)	(46)	(155)	(94)
Net loss attributable to common shares	\$ (1,214)	\$ (2,368)	\$ (5,232)	\$ (4,626)
Net loss per common share basic and diluted	\$ (0.07)	\$ (0.13)	\$ (0.33)	\$ (0.27)
Weighted average common shares outstanding basic and diluted	16,384	17,577	15,938	17,128

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

Overstock.com, Inc.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Cash flows from operating activities:				
Net loss	\$ (1,136)	\$ (2,322)	\$ (5,077)	\$ (4,532)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Depreciation and amortization	535	890	1,018	1,646
Amortization of unearned stock-based compensation	125	123	492	258
Realized gain from marketable securities	(7)		(11)	
Stock options issued to consultants for services	126	289	151	569
Stock options issued to consultants for services	1		21	
Changes in operating assets and liabilities:				
Accounts receivable, net	(1,184)	4,620	(1,226)	3,604
Inventories, net	(5,045)	1,708	(5,521)	(922)
Prepaid expenses and other assets	(2,222)	(2,340)	(5,167)	(2,430)
Other long-term assets, net	43	16	(126)	(1,370)
Accounts payable	7	6,937	(6,229)	(8,841)
Accrued liabilities	(835)	443	(2,293)	595
Net cash provided by (used in) operating activities	(9,592)	10,364	(23,968)	(11,423)
Cash flows from investing activities:				
Increase in restricted cash		(1,875)		(1,875)
Investments in marketable securities	(14,807)	(9,684)	(27,016)	(12,242)
Sales of marketable securities	20,172	1,283	30,125	2,474
Expenditures for property and equipment	(1,331)	(1,199)	(1,700)	(1,599)
Net cash provided by (used in) investing activities	4,034	(11,475)	1,409	(13,242)
Cash flows from financing activities:				
Payments on capital lease obligations	4	(334)	(37)	(354)
Borrowings on line of credit		1,000		1,000
Issuance of common stock, net of issuance costs		37,857	23,968	37,857
Exercise of stock options and warrants	149	792	785	2,959
Net cash provided by financing activities	153	39,315	24,716	41,462
Effect of exchange rate changes on cash		6		5
Net increase (decrease) in cash and cash equivalents	(5,405)	38,210	2,157	16,802
Cash and cash equivalents, beginning of period	18,621	7,438	11,059	28,846
Cash and cash equivalents, end of period	\$ 13,216	\$ 45,648	\$ 13,216	\$ 45,648

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Capital leases for property and equipment	\$		\$		\$	41	\$	1,835
Interest paid	\$	30	\$	46	\$	37	\$	62
Deemed dividend on redeemable common stock	\$	78	\$	46	\$	55	\$	94
Unearned stock-based compensation (forfeitures)	\$	287	\$	31	\$	299	\$	87
Lapse of rescission rights on redeemable common stock	\$	1,038	\$		\$	1,038	\$	

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

Overstock.com, Inc.**Notes to Unaudited Consolidated Financial Statements***(amounts in thousands, except per share data)***1. BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements have been prepared by Overstock.com, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited annual consolidated financial statements and related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2003. The accompanying unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates. The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

2. ADVERTISING EXPENSE

The Company recognizes advertising expenses in accordance with SOP 93-7 *Reporting on Advertising Costs*. As such, the Company expenses the costs of producing advertisements at the time production occurs or the first time the advertising takes place, and expenses the cost of communicating advertising in the period during which the advertising space or airtime is used. Internet advertising expenses are recognized as incurred based on the terms of the individual agreements, which is generally: 1) during the period customers are acquired; or 2) based on the number of clicks generated during a given period over the term of the contract. Advertising expense included in sales and marketing expenses totaled \$2,182 and \$6,391 during the three months ended June 30, 2003 and 2004, respectively, and \$5,691 and \$10,502 during the six months ended June 30, 2003 and 2004, respectively.

3. MARKETABLE SECURITIES

The Company's marketable securities consist of funds deposited into a capital management account managed by two financial institutions. The financial institutions invested these funds at June 30, 2004, as follows:

	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and government agency securities	\$ 20,202	\$ 11	\$ (67)	\$ 20,146
Corporate securities	297		(10)	287

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Mortgage based securities	788	(15)	773
Total	\$ 21,287	\$ 11	\$ (92) \$ 21,206

All marketable securities mature between 2004 and 2009 and are classified as available-for-sale securities.

4. OTHER COMPREHENSIVE LOSS

The Company follows SFAS 130, *Reporting Comprehensive Income*. This Statement establishes requirements for reporting comprehensive income and its components which includes the Company's unrealized gain on marketable securities. The Company's comprehensive loss for the three and six months ended June 30, 2003 and 2004 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Net loss	\$ (1,136)	\$ (2,322)	\$ (5,077)	\$ (4,532)
Realized gain on marketable securities	(7)		(11)	
Unrealized loss on marketable securities	(19)	(81)	(46)	(62)
Foreign currency translation adjustment		6		5
Comprehensive loss	\$ (1,162)	\$ (2,397)	\$ (5,134)	\$ (4,589)