

1 800 CONTACTS INC
Form 10-Q
August 14, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2007

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: 0-23633

1-800 CONTACTS, INC.

(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)

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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) 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 August 6, 2007, the Registrant had 14,082,594 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)

	December 30, 2006	June 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash	\$ 75	\$ 5,560
Marketable securities		3,865
Income tax receivable		11,772
Other receivables	1,825	2,155
Inventories	12,689	14,446
Deferred income taxes	1,886	2,849
Current assets of discontinued operations	19,682	4,648
Other current assets	1,009	983
Total current assets	37,166	46,278
PROPERTY AND EQUIPMENT, net	7,648	7,147
DEFERRED INCOME TAXES	898	1,071
GOODWILL	22,304	22,304
DEFINITE-LIVED INTANGIBLES, net	2,644	1,995
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS	29,169	
OTHER ASSETS	696	830
Total assets	\$ 100,525	\$ 79,625
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Income taxes payable	722	
Accounts payable	8,266	13,816
Accrued liabilities	6,406	8,426
Unearned revenue	302	95
Current liabilities of discontinued operations	11,898	5,232
Total current liabilities	27,594	27,569
LONG-TERM LIABILITIES:		
Line of credit	29,970	
Long-term liabilities of discontinued operations	5,283	
Total long-term liabilities	35,253	
STOCKHOLDERS EQUITY		
Common stock, 13,424 and 13,644 issued, respectively	134	136
Additional paid-in capital	51,047	54,703
Treasury stock at cost, 8 and 25 shares, respectively	(133)	(524)
Accumulated deficit	(12,846)	(2,221)
Accumulated other comprehensive loss	(524)	(38)
Total stockholders equity	37,678	52,056
Total liabilities and stockholders equity	\$ 100,525	\$ 79,625

See accompanying notes to condensed consolidated financial statements.

1-800 CONTACTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Quarter Ended		Two Quarters Ended	
	July 1, 2006	June 30, 2007	July 1, 2006	June 30, 2007
NET SALES	\$ 57,734	\$ 63,373	\$ 116,907	\$ 125,202
COST OF GOODS SOLD	34,960	36,962	70,509	73,962
Gross profit	22,774	26,411	46,398	51,240
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:				
Advertising	3,475	4,721	7,400	9,113
Legal and professional	975	2,386	1,945	