

1 800 CONTACTS INC  
Form 10-Q  
August 10, 2006

**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 July 1, 2006

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)

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

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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 4, 2006, the Registrant had 14,012,169 shares of Common Stock, par value \$0.01 per share, outstanding.

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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>July 1, 2006</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,481	\$ 89
Accounts receivable, net	3,451	3,471
Other receivables	1,738	2,156
Inventories, net	21,458	20,419
Deferred income taxes	1,624	1,817
Other current assets	3,792	2,494
Total current assets	33,544	30,446
PROPERTY AND EQUIPMENT, net	29,705	31,223
DEFERRED INCOME TAXES	1,087	1,006
GOODWILL	35,405	35,963
DEFINITE-LIVED INTANGIBLES, net	13,847	12,639
OTHER ASSETS	1,357	1,726
Total assets	\$ 114,945	\$ 113,003
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$	\$ 19,479
Current portion of long-term debt	1,633	2,221
Current portion of capital lease obligations	58	25
Income taxes payable	567	1,747
Accounts payable	12,063	11,487
Accrued liabilities	8,197	11,131
Unearned revenue	3,299	3,219
Total current liabilities	25,817	49,309
<b>LONG-TERM LIABILITIES:</b>		
Line of credit	23,746	
Long-term debt, net of current portion	6,440	5,377
Capital lease obligations, net of current portion	83	59
Unearned revenue, net of current portion	973	
Other long-term liabilities	669	643
Total long-term liabilities	31,911	6,079
<b>STOCKHOLDERS EQUITY</b>		
Common stock, 13,340 and 13,360 issued and outstanding, respectively	133	134

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Additional paid-in capital	47,876	49,019
Retained earnings	9,613	8,756
Accumulated other comprehensive loss	(405)	(294)
Total stockholders' equity	57,217	57,615
Total liabilities and stockholders' equity	\$ 114,945	\$ 113,003

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</b>		<b>Two Quarters Ended</b>	
	<b>July 2, 2005</b>	<b>July 1, 2006</b>	<b>July 2, 2005</b>	<b>July 1, 2006</b>
NET SALES	\$ 61,365	\$ 63,155	\$ 121,648	\$ 126,646
COST OF GOODS SOLD	37,697	40,523	75,472	79,536
Gross profit	23,668	22,632	46,176	47,110
SELLING, GENERAL				