

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 2, 2011



U.S. AUTO PARTS NETWORK, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33264
(Commission
File Number)

68-0623433
(IRS Employer
Identification No.)

17150 South Margay Avenue, Carson, CA 90746
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (310) 735-0553

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2011, U.S. Auto Parts Network, Inc. issued a press release announcing its financial results for the quarter ended April 2, 2011. A copy of the press release is furnished herewith as Exhibit No. 99.1.

The information contained in Item 2.02 and in Item 9.01 and in Exhibit 99.1 attached to this report is being furnished to the Securities and Exchange Commission and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that Section, or incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended, regardless of any general incorporation language contained in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated May 2, 2011, of U.S. Auto Parts Network, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 2, 2011

U.S. AUTO PARTS NETWORK, INC.

By: /s/ THEODORE R. SANDERS

Theodore R. Sanders
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated May 2, 2011, of U.S. Auto Parts Network, Inc.



U.S. AUTO PARTS NETWORK, INC. REPORTS FIRST QUARTER RESULTS

- **Net sales \$87.0 million.**
- **Adjusted EBITDA \$6.7 million.**
- **Gross margin 35.0%.**

CARSON, California, May 2, 2011— U.S. Auto Parts Network, Inc. (NASDAQ: PRTS), one of the largest online providers of automotive aftermarket parts and accessories, today reported net sales for the first quarter ended April 2, 2011 of \$87.0 million compared with Q1 2010 net sales of \$56.3 million. Excluding \$23.2 million of revenues from the acquisition of J.C. Whitney, net sales were \$63.8 million, an increase of 13.3% over Q1 2010 net sales. Q1 2011 net loss was \$0.2 million or \$0.01 per share, compared with Q1 2010 net income of \$1.5 million or \$0.05 per diluted share. Q1 2011's net loss includes a net loss of \$3.2 million or \$0.10 per diluted share related to JC Whitney of which \$1.2 million of the loss, net of tax was attributable to restructuring and acquisition expenses. The Company generated Adjusted EBITDA of \$6.7 million for the quarter compared to \$6.1 million for Q1 2010. Excluding J.C. Whitney's Adjusted EBITDA of \$0.2 million and related \$0.8 million of restructuring and acquisition expenses as well as \$0.1 million of legal fees to protect intellectual property; Adjusted EBITDA was \$6.5 million, an increase of 6.5% over Q1 2010. For further information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to net income (loss), see non-GAAP Financial Measures below.

"We are extremely pleased to report the company's strongest ever quarterly Adjusted EBITDA results, especially given the aggressive rate of investment we make in the business. Our earnings performance metrics are really starting to show good results." Stated Shane Evangelist "For example, our legacy business produced \$6.5mm in Adjusted EBITDA and a 10% Adjusted EBITDA margin flow through. While I'd like our growth rate to match or exceed the growth rate results of previous quarters, I expect that over the long-term it will."

Q1 2011 Financial Highlights

- Net sales for Q1 2011 increased by 54.5% from Q1 2010. Excluding the acquisition of JC Whitney, Q1 2011 net sales increased 13.3% from a 18.5% increase in e-commerce sales and an 11.4% increase in offline sales partially offset by a 13.7% decline in on-line marketplace sales. The increase in e-commerce sales resulted from a 10.8% improvement in conversion, 8.0% growth in unique visitors and a 3.0% increase in revenue capture, partially offset by a 3.3% decline in average order value.
- Gross profit for Q1 2011 increased 53.6% from Q1 2010. Excluding the acquisition of JC Whitney, gross profit was \$22.0 million, an increase of 11.3%. Gross margin decreased 0.2% to 35.0% of net sales compared with Q1 prior year. Excluding the acquisition of JC Whitney, gross margin was 34.6% down from 35.2% in Q1 2010 but up from 33.4% in Q4 2010. Gross margin was unfavorably impacted by a mix shift from body to engine parts partially offset by price increases in both body and engine parts.
- Online advertising expense, which includes catalog costs, was \$7.1 million or 8.9% of Internet and catalog net sales for the first quarter of 2011. Excluding JC Whitney, online advertising expense was 6.6% of Internet net sales, up 0.2% from the prior year due to higher online marketplace costs. Marketing expense, excluding advertising expense, was \$6.5 million or 7.4% of net sales for the first quarter of 2011 compared to 7.0% in the prior year period. Excluding JC Whitney, marketing expense without advertising was \$4.5 million or 7.1% of Q1 2011 net sales, up 0.2% from the prior year. The increase is primarily due to higher amortization from software deployments this year and additional marketing services.
- General and administrative expense was \$8.2 million or 9.5% of net sales for the first quarter 2011 which includes \$1.2 million of integration expenses for Whitney. Excluding the acquisition of JC Whitney, Q1 2011 G&A expense was \$5.3 million or 8.3% of net sales, down 1.9% from Q1 2010. This decrease reflects fixed cost leverage from higher sales.
- Fulfillment expense was \$5.0 million or 5.8% of net sales in the first quarter of 2011. Excluding the acquisition of JC Whitney, Q1 2011 fulfillment expense was 6.1% of net sales, up from 5.8% last year. The increase is primarily due to higher depreciation and amortization expense.

- Technology expense was \$1.9 million or 2.2% of net sales in the first quarter of 2011. Excluding the acquisition of JC Whitney, technology expense for Q1 2011 was 2.0% of net sales, up 0.2% reflecting higher telephone and web hosting expenses from sales growth.
- Capital expenditures, inclusive of non-cash accrued asset purchases and property acquired under capital leases for the first quarter of 2011 were \$3.7 million, of which \$0.6 million consisted of JC Whitney expenditures. Included in capital expenditures were \$1.0 million of internally developed software and website development costs.

Cash, cash equivalents and investments were \$24.1 million and debt was \$22.0 million at April 2, 2011. The Company includes \$4.1 million of auction rate preferred securities in long-term assets, in investments. Cash, cash equivalents and investments increased by \$1.3 million over the previous quarter from \$6.9 million in operating cash flow, partially offset by \$3.7 million of capital expenditures and \$2.0 million pay down of long-term debt.

Q1 2011 Operating Metrics

Consolidated

	Q1 2011	Q1 2010	Q4 2010
Conversion Rate	1.71%	1.48%	1.73%
Customer Acquisition Cost	\$ 9.63	\$ 6.13	\$10.73
Marketing Spend (% Internet Sales)	8.9%	6.4%	9.5%
Visitors (millions) ¹	41.1	28.6	37.4
Orders (thousands)	702	423	650
Revenue Capture (% Sales) ²	85.9%	84.1%	85.0%
Average Order Value	\$ 125	\$ 119	\$ 122

US Auto Parts excluding JC Whitney

	Q1 2011	Q1 2010	Q4 2010
Conversion Rate	1.64%	1.48%	1.59%
Customer Acquisition Cost	\$ 5.95	\$ 6.13	\$ 6.56
Marketing Spend (% Internet Sales)	6.6%	6.4%	7.2%
Visitors (millions) ¹	30.9	28.6	28.3
Orders (thousands)	507	423	451
Revenue Capture (% Sales) ²	87.2%	84.1%	86.1%
Average Order Value	\$ 115	\$ 119	\$ 112

¹ Visitors do not include traffic from media properties (e.g. AutoMD).

² Revenue capture is the amount of actual dollars retained after taking into consideration returns, credit card declines and product fulfillment.

Non-GAAP Financial Measures

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "Adjusted EBITDA," which is a non-GAAP financial measure. Adjusted EBITDA consists of net income before (a) interest income (expense), net; (b) income tax provision (benefit); (c) amortization of intangibles; (d) depreciation and amortization; (e) share-based compensation expense; (f) legal cost to enforce intellectual property rights and (g) restructuring costs related to the JCW acquisition.

The Company believes that this non-GAAP financial measure provides important supplemental information to management and investors. This non-GAAP financial measure reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the accompanying reconciliation to corresponding GAAP financial measures, provides a more complete understanding of factors and trends affecting the Company's business and results of operations.

Management uses Adjusted EBITDA as a measure of the Company's operating performance because it assists in comparing the Company's operating performance on a consistent basis by removing the impact of items not directly resulting from core operations. Internally, this non-GAAP measure is also used by management for planning purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational

strategies; and for evaluating the Company's capacity to fund capital expenditures and expand its business. The Company also believes that analysts and investors use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in our industry. Additionally, lenders or potential lenders use Adjusted EBITDA to evaluate the Company's ability to repay loans.

This non-GAAP financial measure is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the Company's non-GAAP measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

The tables below reconcile net income (loss) to consolidated Adjusted EBITDA and US Auto Parts excluding the JC Whitney acquisition for the periods presented (in thousands):

Consolidated

	Thirteen Weeks Ended April 2, 2011	Thirteen Weeks Ended April 3, 2010
Net (loss) income	\$ (245)	\$ 1,547
Interest (expense) income, net	264	(22)
Income tax provision	18	950
Amortization of intangibles	1,627	121
Depreciation and amortization	3,003	1,985
EBITDA	4,667	4,581
Share-based compensation	681	860
Legal costs to enforce intellectual property rights	71	639
Add back Legal Restructuring	22	—
Add back Other Restructuring	1,211	—
Adjusted EBITDA	<u>\$ 6,652</u>	<u>\$ 6,080</u>

U.S. Auto Parts, Excluding JC Whitney

	Thirteen Weeks Ended April 2, 2011	Thirteen Weeks Ended April 3, 2010
Net income	\$ 2,915	\$ 1,547
Interest (expense) income, net	266	(22)
Income tax provision	18	950
Amortization of intangibles	124	121
Depreciation and amortization	2,391	1,985
EBITDA	5,714	4,581
Share-based compensation	681	860
Legal costs to enforce intellectual property rights	71	639
Adjusted EBITDA	<u>\$ 6,466</u>	<u>\$ 6,080</u>

Conference Call

As previously announced, the Company will conduct a conference call with analysts and investors to discuss the results today, Monday, May 2, 2011 at 2:00 pm Pacific Time (5:00 pm Eastern Time). The conference call will be conducted by Shane Evangelist, Chief Executive Officer and Ted Sanders, Chief Financial Officer. Participants may access the call by dialing 1-877-941-4776 (domestic) or 1-480-629-9762 (international). In addition, the call will be broadcast live over the Internet and

accessible through the Investor Relations section of the Company's website at www.usautoparts.net where the call will be archived for two weeks. A telephone replay will be available through May 16, 2011. To access the replay, please dial 1-877-870-5176 (domestic) or 1-858-384-5517 (international), passcode 4432133. To view the press release or the financial or other statistical information required by SEC Regulation G, please visit the Investor Relations section of the U.S. Auto Parts website at investor.usautoparts.net.

About U.S. Auto Parts Network, Inc.

Established in 1995, U.S. Auto Parts is a leading online provider of automotive aftermarket parts, including body parts, engine parts, performance parts and accessories. Through the Company's network of websites, U.S. Auto Parts provides individual consumers with a broad selection of competitively priced products that are mapped by a proprietary product database to product applications based on vehicle makes, models and years. U.S. Auto Parts' flagship websites are located at www.autopartswarehouse.com, www.jcwhitney.com, www.partstrain.com and www.AutoMD.com and the Company's corporate website is located at www.usautoparts.net.

U.S. Auto Parts is headquartered in Carson, California.

Safe Harbor Statement

This press release contains statements which are based on management's current expectations, estimates and projections about the Company's business and its industry, as well as certain assumptions made by the Company. These statements are forward looking statements for the purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended and Section 27A of the Securities Act of 1933, as amended. Words such as "anticipates," "could," "expects," "intends," "plans," "potential," "believes," "predicts," "projects," "seeks," "estimates," "may," "will," "would," "will likely continue" and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, the Company's expectations regarding its future operating results and financial condition, impact of changes in our key operating metrics, our potential growth, our liquidity requirements, and the status of our auction rate preferred securities. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, the Company's ability to integrate and achieve efficiencies of acquisitions, economic downturn that could adversely impact retail sales; marketplace illiquidity; demand for the Company's products; increases in commodity and component pricing that would increase the Company's per unit cost and reduce margins; the competitive and volatile environment in the Company's industry; the Company's ability to expand and price its product offerings, control costs and expenses, and provide superior customer service; the mix of products sold by the Company; the effect and timing of technological changes and the Company's ability to integrate such changes and maintain, update and expand its infrastructure and improve its unified product catalog; the Company's ability to improve customer satisfaction and retain, recruit and hire key executives, technical personnel and other employees in the positions and numbers, with the experience and capabilities, and at the compensation levels needed to implement the Company's business plans both domestically and internationally; the Company's cash needs, including requirements to amortize debt; regulatory restrictions that could limit the products sold in a particular market or the cost to produce, store or ship the Company's products; any changes in the search algorithms by leading Internet search companies; the Company's need to assess impairment of intangible assets and goodwill; and the Company's ability to comply with Section 404 of the Sarbanes-Oxley Act and maintain an adequate system of internal controls; any remediation costs or other factors discussed in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Risk Factors contained in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at www.usautoparts.net and the SEC's website at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements in this release and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. Unless otherwise required by law, the Company expressly disclaims any obligation to update publicly any forward-looking statements, whether as result of new information, future events or otherwise.

U.S. AUTO PARTS NETWORK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	<u>April 2, 2011</u> <i>(unaudited)</i>	<u>January 1, 2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,884	\$ 17,595
Short-term investments	1,066	1,062
Accounts receivable, net of allowance of \$364 and \$372, respectively	8,303	6,849
Inventory	42,679	48,100
Deferred income taxes	360	359
Other current assets	5,702	5,646
Total current assets	76,994	79,611
Property and equipment, net	33,883	33,140
Intangible assets, net	17,122	18,718
Goodwill	17,137	17,137
Investments	4,153	4,141
Other non-current assets	1,054	790
Total assets	<u>\$ 150,343</u>	<u>\$ 153,537</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,956	\$ 31,660
Accrued expenses	13,721	15,487
Notes Payable, current portion	5,688	6,125
Capital Leases payable, current portion	175	132
Other current liabilities	6,031	5,522
Total current liabilities	56,571	58,926
Non-current liabilities		
Notes Payable, net of current portion	16,312	17,875
Capital Leases payable, net of current portion	122	185
Deferred tax liabilities	3,072	3,046
Other noncurrent liabilities	850	701
Total liabilities	76,927	80,733
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized at April 2, 2011 and January 1, 2011; 30,518,994 and 30,429,376 shares issued and outstanding as of April 2, 2011 and January 1, 2011 respectively	31	30
Additional paid-in capital	154,788	153,962
Accumulated other comprehensive income	279	249
Accumulated deficit	(81,682)	(81,437)
Total stockholders' equity	73,416	72,804
Total liabilities and stockholders' equity	<u>\$ 150,343</u>	<u>\$ 153,537</u>

U.S. AUTO PARTS NETWORK, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Thirteen Weeks Ended April 2, 2011	Thirteen Weeks Ended April 3, 2010
Net sales	\$ 86,978	\$ 56,291
Cost of sales	<u>56,562</u>	<u>36,484</u>
Gross profit	30,416	19,807
Operating expenses:		
Marketing ⁽¹⁾	13,585	7,213
General and administrative ⁽¹⁾	8,236	5,737
Fulfillment ⁽¹⁾	5,007	3,243
Technology ⁽¹⁾	1,938	1,018
Amortization of intangibles and impairment loss	<u>1,627</u>	<u>121</u>
Total operating expenses	30,393	17,332
Income from operations	23	2,475
Other income:		
Other income	14	—
Interest (expense) income, net	<u>(264)</u>	<u>22</u>
Other (expense) income, net	(250)	22
(Loss) Income before income taxes	(227)	2,497
Income tax provision	<u>18</u>	<u>950</u>
Net (loss) income	<u>\$ (245)</u>	<u>\$ 1,547</u>
Basic net (loss) income per share	\$ (0.01)	\$ 0.05
Diluted net (loss) income per share	\$ (0.01)	\$ 0.05
Shares used in computation of basic net (loss) income per share	30,450,078	30,003,117
Shares used in computation of diluted net (loss) income per share	30,450,078	31,425,002

	Thirteen Weeks Ended April 2, 2011	Thirteen Weeks Ended April 3, 2010
(1) Includes share-based compensation expense as follows:		
Marketing	\$ 160	\$ 120
General and administrative	376	548
Fulfillment	85	125
Technology	<u>60</u>	<u>67</u>
Total share-based compensation expense	<u>681</u>	<u>860</u>

U.S. AUTO PARTS NETWORK, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Thirteen Weeks Ended April 2, 2011	Thirteen Weeks Ended April 3, 2010
Operating activities		
Net (loss) income	\$ (245)	\$ 1,547
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	3,003	1,984
Amortization of intangibles	1,627	121
Deferred income taxes	25	321
Share-based compensation expense	681	860
Amortization of deferred financing costs	30	—
Excess tax benefits from share-based payment arrangements	—	(98)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,454)	217
Inventory	5,421	629
Prepaid expenses and other current assets	(390)	(545)
Other noncurrent assets	(42)	(360)
Accounts payable and accrued expenses	(2,531)	1,757
Other current liabilities	551	227
Other noncurrent liabilities	109	165
Net cash provided by operating activities	6,785	6,825
Investing activities		
Additions to property and equipment	(3,688)	(2,514)
Purchases of investments	(6)	(5,158)
Purchases of intangible assets	—	(1,001)
Changes in restricted cash	319	—
Purchases of company-owned life insurance	(281)	—
Net cash used in investing activities	(3,656)	(8,673)
Financing activities		
Payments on capital leases	(20)	—
Payments made on long-term debt	(2,000)	—
Changes in book overdraft	57	—
Proceeds from exercise of stock options	122	491
Excess tax benefits from share-based payment arrangements	—	98
Net cash (used in) provided by financing activities	(1,841)	589
Effect of changes in foreign currencies	1	55
Net increase (decrease) in cash and cash equivalents	1,289	(1,204)
Cash and cash equivalents at beginning of period	17,595	26,251
Cash and cash equivalents at end of period	<u>\$ 18,884</u>	<u>\$ 25,047</u>
Supplemental disclosure of non-cash investing activities:		
Accrued asset purchases	1,696	872
Unrealized gain on investments	12	14
Property acquired under capital lease	32	—
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	3	80
Cash paid during the period for interest	569	—

Investor Contacts:

Ted Sanders, Chief Financial Officer
U.S. Auto Parts Network, Inc.
tsanders@usautoparts.com
(424) 702-1455

Budd Zuckerman, President
Genesis Select Corporation
bzuckerman@genesiselect.com
(303) 415-0200