

U.S. Auto Parts Network, Inc.
Form 424B4
February 12, 2007
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**Filed Pursuant to Rule 424(b)(4)
Registration No. 333-138379**

PROSPECTUS

10,000,000 Shares

Common Stock

This is U.S. Auto Parts Network, Inc.'s initial public offering. We are offering 8,000,000 shares of our common stock and 2,000,000 shares are being offered by the selling stockholders identified in this prospectus. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Prior to this offering, no public market existed for the shares. Our common stock has been approved for trading on the NASDAQ Global Market under the symbol PRTS.

Investing in our common stock involves risks. See Risk Factors beginning on page 8.

PRICE \$10.00 PER SHARE

	Per Share	Total
Public offering price	\$ 10.00	\$ 100,000,000
Underwriting discounts and commissions	\$ 0.70	\$ 7,000,000
Net proceeds, before expenses, to U.S. Auto Parts	\$ 9.30	\$ 74,400,000
Net proceeds, before expenses, to the selling stockholders	\$ 9.30	\$ 18,600,000

The underwriters may also purchase up to an additional 1,500,000 shares from the selling stockholders at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the shares on or about February 14, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

RBC CAPITAL MARKETS

THOMAS WEISEL PARTNERS LLC

PIPER JAFFRAY

February 8, 2007

JMP SECURITIES

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You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you different or inconsistent information, you should not rely on it. We and the selling stockholders are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers or sales are permitted. The information in this prospectus is only accurate as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters for the offering of our common stock have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, our offering and the distribution of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and may not contain all the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the Risk Factors and the consolidated financial statements and related notes, before making an investment decision.

Our Business

Overview

We are a leading online provider of aftermarket auto parts, including body parts, engine parts, performance parts and accessories. Our network of websites provides individual consumers with a comprehensive selection of approximately 550,000 products, identified as stock keeping units or SKUs. We have developed a proprietary product database that maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years. Our flagship websites are located at www.partstrain.com and www.autopartswarehouse.com, and our corporate website is located at www.usautoparts.net.

Our online sales channel and relationships with suppliers enable us to eliminate several intermediaries in the traditional auto parts supply chain, allowing us to acquire many of our products directly from manufacturers and sell them to our customers. Additionally, as an online retailer, we do not incur many of the costs associated with operating brick and mortar stores. We believe that our ability to disintermediate the auto parts supply chain, combined with our efficient e-commerce platform, enables us to sell products at competitive prices while achieving higher operating margins and return on invested capital than many traditional automotive parts retailers.

Our business has grown consistently since we launched our first website in 2000. Net sales increased to \$59.7 million and \$83.5 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from \$40.7 million and \$44.0 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. Net income decreased slightly to \$6.8 million and \$3.6 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from \$7.1 million and \$4.8 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. Our Adjusted EBITDA increased to \$8.8 million and \$10.3 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from \$8.0 million and \$6.1 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively.

In addition, we have experienced continued growth in the number of monthly unique visitors to our websites. In September 2006, approximately 6.9 million unique visitors viewed our websites. The number of orders placed through our e-commerce websites has also increased to approximately 288,000 and 505,000 for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from approximately 201,000 and 207,000 for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. The average order value of purchases on our websites for the nine months ended September 30, 2006 was approximately \$120.

Industry Overview

The United States automotive aftermarket industry is forecasted to be \$204 billion in 2006 according to the Automotive Aftermarket Industry Association, or AAIA, an independent trade association. Our

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addressable market is forecasted by AAIA to be approximately \$91.3 billion, which consists of approximately \$37.8 billion in sales to Do-It-Yourself, or DIY, customers, and approximately \$53.5 billion in sales to Do-It-For-Me, or DIFM, customers. While the U.S. auto parts aftermarket is a large market characterized by modest growth, we believe there is an opportunity for e-commerce aftermarket auto parts retailers to grow faster than the overall market.

According to Forrester Research, an independent market research firm, online purchases by U.S. consumers are expected to grow from approximately \$172 billion in 2005 to approximately \$329 billion by 2010, representing a 13.9% compound annual growth rate. In 2006, the online and mail order portion of aftermarket auto part sales is forecasted to be \$2.7 billion according to the AAIA. While the portion of online and mail order sales represents only 3% of our addressable market, we believe online penetration rates of aftermarket auto parts consumers will continue to increase and, as a result, sales for online aftermarket auto parts are expected to continue to grow at a faster rate than the overall auto parts market.

The auto parts market has traditionally been fragmented and inefficient, with multiple intermediaries, including importers, wholesalers, distributors and retailers, between manufacturers and consumers. Furthermore, auto parts retailers who operate brick and mortar stores generally stock only a small percentage of the products that are available for sale. The fragmented nature of the auto parts market has also meant an absence of a centralized database or a comprehensive, master catalog of products, which maps all aftermarket auto parts to all relevant applications for such parts. We believe this inadequacy of information leads to inefficiencies in the sale and purchase process for both the retailer and the consumer.

Our Solution

We believe our solution addresses the problems faced in the traditional auto parts market and provides additional benefits for our customers. The key components of our solution include:

disintermediation of the traditional auto parts supply chain, which enables us to eliminate several intermediaries, allowing us to offer auto parts at competitive prices while maintaining higher profit margins;

a leading network of aftermarket auto parts websites;

a proprietary product catalog that maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years;

flexible fulfillment methods that allow us to offer a broad selection of products, while effectively managing our inventory and enhancing our overall profitability;

low-cost offshore and outsourced operations in the Philippines and India, which are responsible for a majority of the development and maintenance of our websites and product catalog and customer service and sales functions; and

long-standing, strong supplier relationships with manufacturers and distributors located in Asia and the United States.

Benefits to Customers

We believe our solution provides multiple benefits to our customers, including:

broad product selection and availability;

competitive pricing;

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prompt order fulfillment;

detailed product information; and

an overall satisfying shopping experience and knowledgeable customer service.

Our Growth Strategy

Our primary objective is to continue our growth and to strengthen our position as a leading online provider of aftermarket auto parts. The key elements of our strategy are as follows:

expand our product offering;

cost-effectively increase the number of visitors to our websites;

increase our visitor conversion rate;

increase repeat customers;

expand e-commerce distribution channels; and

pursue strategic acquisitions that augment our business.

Corporate Information

We were formed as a California corporation in 1995 and reincorporated in Delaware in March 2006. Our executive offices are located at 17150 South Margay Avenue, Carson, California 90746, and our telephone number is (310) 719-8666. Our corporate website is located at www.usautoparts.net. Our flagship retail websites are located at www.partstrain.com and www.autopartswarehouse.com. The information contained in, or that can be accessed through, our websites does not constitute a part of this prospectus. Unless the context requires otherwise, as used in this prospectus, the terms U.S. Auto Parts, we, us and our refer to U.S. Auto Parts Network, Inc. and its subsidiaries, and the term Partsbin refers to All OEM Parts, Inc., ThePartsBin.com, Inc. and their affiliated companies, which we acquired in May 2006.

U.S. Auto Parts, U.S. Auto Parts Network, PartsTrain, Partsbin, Kool-Vue and Auto-Vend are our United States common law trademarks. All other trademarks and trade names appearing in this prospectus are the property of their respective owners.

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The Offering

Common stock offered by us 8,000,000 shares

Common stock offered by the selling stockholders 2,000,000 shares

Common stock to be outstanding after this offering 29,832,927 shares

Use of proceeds For repayment of approximately \$33.0 million of indebtedness and for working capital and other general corporate purposes, including expanding our infrastructure and sales and marketing activities. In addition, we may use a portion of the net proceeds for acquisitions and investments in complementary businesses, technologies and strategic relationships. See Use of Proceeds.

Risk Factors See Risk Factors and the other information included in this prospectus for a discussion of factors you should consider carefully before investing in shares of our common stock.

Proposed NASDAQ Global Market symbol PRTS

The number of shares of common stock outstanding after this offering is based on 21,832,927 shares outstanding as of December 31, 2006, which assumes the conversion of all of our outstanding preferred stock into 6,633,255 shares of common stock immediately prior to the completion of this offering, and does not include 2,400,000 shares of common stock reserved for future grant or issuance under our 2007 Omnibus Incentive Plan adopted in January 2007, and does not include, as of December 31, 2006:

2,786,532 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of \$9.04 per share;

716,309 shares of common stock reserved for future grant or issuance under our 2006 Equity Incentive Plan; and

84,332 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$7.29 per share.

Unless otherwise indicated, all information in this prospectus assumes:

the underwriters will not exercise their over-allotment option to purchase up to 1,500,000 additional shares of common stock from the selling stockholders;

no other person will exercise any other outstanding options or warrants;

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the initial public offering price will be \$10.00 per share; and

the effect of a 3-for-5 reverse stock split, which occurred in January 2007.

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The following tables summarize our consolidated financial data for the periods presented and should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements. We have also included data from our unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006.

	Years Ended December 31,			Pro Forma 2005(1) (unaudited)	Nine Months Ended September 30,		
	2003	2004	2005		2005 (unaudited)	2006 (unaudited)	Pro Forma 2006(1) (unaudited)
(in thousands, except share and per share data)							
Consolidated Statement of Income Data:							
Net sales	\$31,657	\$40,658	\$59,698	\$98,168	\$43,979	\$83,514	\$107,366
Cost of sales	17,814	21,334	34,829	64,362	25,876	53,779	71,614
Gross profit	13,843	19,324	24,869	33,806	18,103	29,735	35,752
Operating expenses:							
General and administrative(2)	2,284	3,599	7,254	10,325	5,555	7,013	8,626
Marketing(2)	3,617	4,526	5,802	10,862	4,315	10,134	13,360
Fulfillment(2)	3,246	2,990	4,357	4,407	3,162	3,589	3,608
Technology(2)	405	776	868	1,431	596	898	1,211
Amortization of intangibles		8	17	8,176	13	3,037	6,174
Total operating expenses	9,552	11,899	18,298	35,201	13,641	24,671	32,979
Income (loss) from operations	4,291	7,425	6,571	(1,395)	4,462	5,064	2,773
Other income (expense), net	(42)	36	85	(1,852)	97	(800)	(1,529)
Income (loss) before income taxes	4,249	7,461	6,656	(3,247)	4,559	4,264	1,244
Income tax provision (benefit)	478	328	(163)	(195)	(199)	615	(357)
Net income (loss)	\$3,771	\$7,133	\$6,819	\$(3,052)	\$4,758	\$3,649	\$1,601
Basic net income (loss) per share	\$0.33	\$0.54	\$0.52	\$(0.20)	\$0.36	\$0.26	\$0.11
Diluted net income (loss) per share	\$0.33	\$0.54	\$0.52	\$(0.20)	\$0.36	\$0.19	\$0.08
Shares used in computation of basic net income (loss) per share	11,276,876	13,200,000	13,200,000	15,183,315	13,200,000	14,180,869	15,190,687
Shares used in computation of diluted net income (loss) per share	11,276,876	13,200,000	13,200,000	15,183,315	13,200,000	19,362,189	20,372,007
Non-GAAP Financial Measures:							
EBITDA(3)	4,382	7,961	8,755	8,947	6,095	9,792	10,740
Adjusted EBITDA(3)	4,382	7,961	8,755	8,947	6,095	10,299	11,247
Unaudited Pro Forma Statement of Income Data(4):							
Income (loss) before income taxes	4,249	7,461	6,656	(3,247)	4,559	4,264	1,244
Pro forma provision (benefit) for income taxes	1,729	2,964	2,657	(1,301)	1,822	1,809	575
Pro forma net income (loss)	\$2,520	\$4,497	\$3,999	\$(1,946)	\$2,737	\$2,455	\$669
Pro forma basic net income (loss) per share	\$0.22	\$0.34	\$0.20	\$(0.13)	\$0.21	\$0.12	\$0.04
Pro forma diluted net income (loss) per share	\$0.22	\$0.34	\$0.20	\$(0.13)	\$0.21	\$0.12	\$0.03
Shares used in computation of pro forma basic net income per share	11,276,876	13,200,000	19,833,255	15,183,315	13,200,000	20,814,124	15,190,687

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Shares used in computation of pro forma diluted net income per share	11,276,876	13,200,000	19,833,255	15,183,315	13,200,000	20,844,345	20,372,007
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(see footnotes on next page)

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(footnotes to prior page)

(1) The pro forma financial information gives effect to the acquisition of Partsbin as if the acquisition occurred on January 1, 2005. See Unaudited Pro Forma Combined Statement of Operations.

(2) Includes share-based compensation expense related to option grants, as follows:

	Years Ended December 31,			Nine Months Ended September 30,			
	2003	2004	2005	Pro Forma 2005(1) (unaudited) (in thousands)	2005 (unaudited)	2006 (unaudited)	Pro Forma 2006(1) (unaudited)
General and administrative	\$	\$	\$	\$	\$	\$ 336	\$ 336
Marketing						107	107
Fulfillment						16	16
Technology						48	48