

LIQUIDITY SERVICES INC
Form 10-Q
February 04, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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 December 31, 2010

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 0-51813

LIQUIDITY SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

52-2209244
(I.R.S. Employer
Identification No.)

1920 L Street, N.W., 6th Floor, Washington, D.C.
(Address of Principal Executive Offices)

20036
(Zip Code)

(202) 467-6868

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock, par value \$.001 per share, as of February 4, 2011 was 27,159,746.

Table of Contents

INDEX

	Page
<u>Part I. FINANCIAL INFORMATION (UNAUDITED)</u>	
<u>Item 1.</u>	<u>Consolidated Financial Statements</u> 3
	<u>Consolidated Balance Sheets</u> 3
	<u>Consolidated Statements of Operations</u> 4
	<u>Consolidated Statement of Changes in Stockholders' Equity</u> 5
	<u>Consolidated Statements of Cash Flows</u> 6
	<u>Notes to the Unaudited Consolidated Financial Statements</u> 7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 14
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 25
<u>Item 4.</u>	<u>Controls and Procedures</u> 26
<u>Part II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 27
<u>Item 1A.</u>	<u>Risk Factors</u> 27
<u>Item 2.</u>	<u>Purchases of Equity Securities by the Issuer</u> 27
<u>Item 6.</u>	<u>Exhibits</u> 27
<u>SIGNATURES</u>	28

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements.****Liquidity Services, Inc. and Subsidiaries
Consolidated Balance Sheets****(Dollars in Thousands)**

	December 31, 2010 (Unaudited)	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,525	\$ 43,378
Short-term investments	32,947	33,405
Accounts receivable, net of allowance for doubtful accounts of \$359 and \$328 at December 31, 2010 and September 30, 2010, respectively	4,762	4,475
Inventory	18,687	17,321
Prepaid expenses, deferred taxes and other current assets	10,987	10,122
Total current assets	115,908	108,701
Property and equipment, net	7,822	6,781
Intangible assets, net	2,633	3,057
Goodwill	39,537	39,831
Other assets	6,532	6,534
Total assets	\$ 172,432	\$ 164,904
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 8,767	\$ 8,605
Accrued expenses and other current liabilities	19,707	24,654
Profit-sharing distributions payable	6,372	5,596
Acquisition earn out payable	7,500	
Customer payables	12,474	9,783
Total current liabilities	54,820	48,638
Deferred taxes and other long-term liabilities	2,015	3,892
Total liabilities	56,835	52,530
Stockholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 29,264,574 shares issued and 27,102,518 shares outstanding at December 31, 2010; 28,827,072 shares issued and 26,894,591 shares outstanding at September 30, 2010	27	27
Additional paid-in capital	91,393	85,517
Treasury stock, at cost	(21,884)	(18,343)
Accumulated other comprehensive loss	(5,140)	(4,645)
Retained earnings	51,201	49,818
Total stockholders' equity	115,597	112,374
Total liabilities and stockholders' equity	\$ 172,432	\$ 164,904

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

Liquidity Services, Inc. and Subsidiaries
Unaudited Consolidated Statements of Operations
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended December 31,	
	2010	2009
Revenue	\$ 78,511	\$ 65,313
Costs and expenses:		
Cost of goods sold (excluding amortization)	32,939	26,950
Profit-sharing distributions	10,621	8,991
Technology and operations	13,324	12,086
Sales and marketing	6,015	4,647
General and administrative	6,737	5,940
Amortization of contract intangibles	203	203
Depreciation and amortization	1,190	911
Acquisition costs	4,695	
Total costs and expenses	75,724	59,728
Income from operations	2,787	5,585
Interest income and other (expense), net	(21)	(14)
Income before provision for income taxes	2,766	5,571
Provision for income taxes	(1,383)	