

BLUE NILE INC
Form 10-Q
May 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2012

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 000-50763

BLUE NILE, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	91-1963165 (I.R.S. Employer Identification No.)
411 First Avenue South, Suite 700, Seattle, Washington (Address of principal executive offices)	98104 (Zip code)
(206) 336-6700 (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

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 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 May 3, 2012, the registrant had 13,826,393 shares of common stock outstanding.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements that involve many risks and uncertainties. These statements, which relate to future events and our future performance, are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of management as of the date of this filing. In some cases, you can identify forward-looking statements by terms such as would, could, may, will, should, expect, intend, plan, anticipate, believe, estimate, predict, continue, the negative of these terms or other variations of such terms. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions based upon assumptions made that are believed to be reasonable at the time, and are subject to risk and uncertainties. Therefore, actual events or results may differ materially and adversely from those expressed in any forward-looking statement. In evaluating these statements, you should specifically consider the risks described under the caption Item 1A Risk Factors and elsewhere in this quarterly report on Form 10-Q. These factors, and other factors, may cause our actual results to differ materially from any forward-looking statement. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

BLUE NILE, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****BLUE NILE, INC.****Condensed Consolidated Balance Sheets****(in thousands, except par value)**

	April 1, 2012 (unaudited)	January 1, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,248	\$ 89,391
Trade accounts receivable	1,496	2,317
Other accounts receivable	388	2,550
Inventories	30,448	29,267
Deferred income taxes	483	689
Prepaid federal income taxes	396	
Prepays and other current assets	904	1,009
Total current assets	95,363	125,223
Property and equipment, net	8,173	8,340
Intangible assets, net	238	252
Deferred income taxes	8,978	9,053
Other assets	133	157
Total assets	\$ 112,885	\$ 143,025
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 64,232	\$ 95,590
Accrued liabilities	5,486	9,396
Current portion of long-term financing obligation	59	59
Current portion of deferred rent	212	211
Total current liabilities	69,989	105,256
Long-term financing obligation, less current portion	670	685
Deferred rent, less current portion	2,023	2,060
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000 shares authorized, none issued and outstanding		
Common stock, \$0.001 par value; 300,000 shares authorized; 20,648 shares and 20,525 shares issued, respectively 13,891 shares and 13,768 shares outstanding, respectively	21	21
Additional paid-in capital	192,744	187,762
Accumulated other comprehensive loss	(80)	(123)
Retained earnings	74,645	74,491
Treasury stock, at cost; 6,757 and 6,757 shares outstanding, respectively	(227,127)	(227,127)
Total stockholders' equity	40,203	35,024
Total liabilities and stockholders' equity	\$ 112,885	\$ 143,025

The accompanying notes are an integral part of these condensed consolidated financial statements

BLUE NILE, INC.**Condensed Consolidated Statements of Operations****(unaudited)****(in thousands, except per share data)**

	Quarter ended	
	April 1, 2012	April 3, 2011
Net sales	\$ 83,103	\$ 80,180
Cost of sales	67,825	63,260
Gross profit	15,278	16,920
Selling, general and administrative expenses	15,059	13,408
Operating income	219	3,512
Other income, net:		
Interest income, net	40	41
Other income, net	13	22
Total other income, net	53	63
Income before income taxes	272	3,575
Income tax expense	118	1,153
Net income	\$ 154	\$ 2,422
Basic net income per share	\$ 0.01	\$ 0.17
Diluted net income per share	\$ 0.01	\$ 0.16

The accompanying notes are an integral part of these condensed consolidated financial statements

BLUE NILE, INC.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands)

	Quarter ended	
	April	April 3,
	1,	2011
	2012	
Net Income	\$ 154	\$ 2,422
Other comprehensive income:		
Foreign currency translation adjustments	43	98
Total comprehensive income	\$ 197	\$ 2,520

The accompanying notes are an integral part of these condensed consolidated financial statements

BLUE NILE, INC.

Condensed Consolidated Statement of Changes in Stockholders' Equity

(unaudited)

(in thousands)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Additional Paid-in Capital			Shares	Amount	
Balance, January 2, 2012	20,525	\$ 21	\$ 187,762	\$ 74,491	\$ (123)	(6,757)	\$ (227,127)	\$ 35,024
Net income				154				154
Other comprehensive income					43			43
Tax deficiency from exercise of stock options			(141)					(141)
Exercise of common stock options	123		3,889					3,889
Issuance of common stock to directors			30					30
Stock-based compensation			1,204					1,204
Balance, April 1, 2012	20,648	\$ 21	\$ 192,744	\$ 74,645	\$ (80)	(6,757)	\$ (227,127)	\$ 40,203

The accompanying notes are an integral part of these condensed consolidated financial statements

BLUE NILE, INC.**Condensed Consolidated Statements of Cash Flows****(unaudited)****(in thousands)**

	Quarter to date ended	
	April	
	April 1,	3,
	2012	2011
Operating activities:		
Net income	\$ 154	\$ 2,422
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	896	822
Loss on disposal of property and equipment	24	21
Stock-based compensation	1,200	1,734
Deferred income taxes	281	(234)
Tax (deficiency) benefit from exercise of stock options	(141)	397
Excess tax benefit from exercise of stock options	(6)	(208)
Changes in assets and liabilities:		
Receivables	2,983	(217)
Inventories	(1,181)	2
Prepaid federal income taxes	(396)	
Prepaid expenses and other assets	129	255