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# DOVER SADDLERY INC

## FORM 8-K
(Current report filing)

Filed 03/27/12 for the Period Ending 03/27/12

| | |
|---|---|
| Address | 525 GREAT ROAD<br>LITTLETON, MA 01460 |
| Telephone | 978-952-8062 |
| CIK | 0001071625 |
| Symbol | DOVR |
| SIC Code | 5940 - Miscellaneous Shopping Goods Stores |
| Industry | Retail (Specialty) |
| Sector | Services |
| Fiscal Year | 12/31 |

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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): March 27, 2012

# Dover Saddlery, Inc.

(Exact name of registrant as specified in its charter)

| Delaware | 000-51624 | 04-3438294 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 525 Great Road, P.O. Box 1100, Littleton, Massachusetts | 01460 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: 978-952-8062

Not Applicable

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))

Top of the Form

**Item 2.02 Results of Operations and Financial Condition.**

On March 27, 2012, Dover Saddlery, Inc. (the "registrant") issued a press release reporting on its results of operations for the fourth quarter and year ended December 31, 2011. A copy of that press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The press release includes references to Adjusted EBITDA, a non-GAAP financial measure that management uses in its analysis of the registrant's performance and ongoing operations. A reconciliation to the most directly comparable GAAP measure is included in the financial statements portion of the press release. The registrant presents Adjusted EBITDA because registrant considers it an important measure of its performance, and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in registrant's industry.

**Item 7.01 Regulation FD Disclosure.**

On March 27, 2012, Dover Saddlery, Inc. (the "registrant") issued a press release reporting on its results of operations for the fourth quarter and year ended December 31, 2011. A copy of that press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The press release includes references to Adjusted EBITDA, a non-GAAP financial measure that management uses in its analysis of the registrant's performance and ongoing operations. A reconciliation to the most directly comparable GAAP measure is included in the financial statements portion of the press release. The registrant presents Adjusted EBITDA because registrant considers it an important measure of its performance, and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in registrant's industry.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

99.1 March 27, 2012 Press Release

The information and exhibits submitted in this Report are and shall be deemed to furnished to the Securities and Exchange Commission, and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The press release attached as Exhbit 99.1 to this Report includes "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation statements made about the Company's business outlook for fiscal 2012, the prospects for overall revenue growth, gross margins and profitability, and high fulfillment rates and the opening of new stores. Although the registrant believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to have been correct. Actual results could differ materially based upon a number of factors including those identified in the press release.

Top of the Form

**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.

Dover Saddlery, Inc.

*March 27, 2012*

*By: /s/ David R. Pearce*

*Name: David R. Pearce*
*Title: Chief Financial Officer*

Top of the Form

Exhibit Index

| Exhibit No. | Description |
| --- | --- |
| 99.1 | March 27, 2012 Press Release |

Janet Nittmann
*jnittmann@doversaddlery.com*
978 952 8062 x 218

**Dover Saddlery Announces Financial Results for Fourth Quarter and Full Year 2011**

LITTLETON, MA—(MARKET WIRE)—Mar 27, 2012 — Dover Saddlery, Inc. (NasdaqCM: DOVR - News ), the leading multi-channel retailer of equestrian products, today announced financial results for the fourth quarter and fiscal year ended December 31, 2011.

**Fourth quarter results**

Total revenues for the fourth quarter of 2011 increased 1.3% to $23.8 million compared to $23.5 million achieved in the fourth quarter of 2010. Retail store revenues rose 18.5% to $9.0 million, driven by two additional stores and a same-store sales increase of 5.9%. Due primarily to warm weather and lower sales in the direct channel, net income for the fourth quarter of 2011 decreased to $641,000 or $0.12 per diluted share, compared to a net income of $1,048,000 or $0.19 per diluted share achieved in the fourth quarter of 2010.

**Full Year Results**

Total revenues for fiscal year 2011 increased 3.4% to $80.8 million from $78.2 million achieved in 2010. Retail store channel revenues increased 17.1% to $30.5 million; same-store sales increased 10.8% while sales in the direct channel decreased 3.5% to $50.3 million.

Net income for fiscal 2011 decreased to $1.7 million, or $0.31 per diluted share, from $2.0 million or $0.38 per diluted share achieved for fiscal year 2010.

“As you can see from our financial results, 2011 has been our strongest year to date for performance in the retail store channel,” commented Stephen L. Day, president and CEO of Dover Saddlery. “This is due to our ability to accurately locate our stores in areas of high demand and then fulfill our customers’ needs with an outstanding selection of in-stock items matched with the highest standard of customer service. We were able to maintain steady gross profit of approximately 38% over the course of the year, in a very competitive environment. Net income was lower due to retail store pre-opening expenses and some softness in the fourth quarter.”

Adjusted EBITDA for fiscal year 2011 decreased 7.1% to $4.8 million from $5.1 million achieved in 2010. A reconciliation of the net income calculated in accordance with GAAP and the non-GAAP Adjusted EBITDA measure is provided in the table accompanying this press release.

Continuing to build on the strong retail performance, Dover Saddlery plans to open four to six retail stores in 2012, the first one being in Warrington, Pennsylvania slated to open in late spring.

T **oday’s Teleconference and Webcast**
Dover Saddlery will be hosting a conference call at 4:30 P.M. ET today to discuss the fourth quarter and full year 2011 results. Investors are invited to listen to the earnings conference call over the Internet through the company’s website at http://investor.shareholder.com/DOVR/ . This webcast will be archived for a year.

**Forward-Looking Statements**

This press release includes “forward-looking statements” within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation statements made about the Company’s business outlook for fiscal 2012, the prospects for overall revenue growth, gross margins and profitability, and high fulfillment rates and the opening of new stores. All statements other than statements of historical fact included in this press release regarding the company’s strategies, plans, objectives, expectations, and future operating results are forward-looking statements. Although Dover believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to

have been correct. These forward-looking statements involve significant risks and uncertainties, including those discussed in this release and others that can be found in "Item 1A Risk Factors" of Dover Saddlery's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. Dover Saddlery is providing this information as of this date and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise. No forward-looking statement can be guaranteed and actual results may differ materially from those Dover Saddlery projects.

**DOVER SADDLERY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
(In thousands, except share and per share data)
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2011 | Dec. 31, 2010 |
| Revenues, net- direct | $ 14,773 | $ 15,884 | $ 50,334 | $ 52,140 |
| Revenues, net – retail stores | 9,020 | 7,611 | 30,497 | 26,050 |
| **Revenues, net — total** | **$ 23,793** | **$ 23,495** | **$ 80,831** | **$ 78,190** |
| Cost of revenues | 14,295 | 14,183 | 49,836 | 48,491 |
| Gross profit | 9,498 | 9,312 | 30,995 | 29,699 |
| Selling, general and administrative expenses | 8,212 | 7,208 | 27,219 | 25,493 |
| **Income from operations** | **1,286** | **2,104** | **3,776** | **4,216** |
| Interest expense, financing and other related costs, net | 127 | 266 | 728 | 1,030 |
| Other investment (income) loss, net | 22 | 69 | 18 | (314) |
| Income before income tax provision | 1,137 | 1,769 | 3,030 | 3,500 |
| Provision for income taxes | 496 | 721 | 1,306 | 1,455 |
| **Net income** | **$ 641** | **$ 1,048** | **$ 1,724** | **$ 2,045** |
| Net income per share | | | | |
| Basic | $ 0.12 | $ 0.20 | $ 0.33 | $ 0.39 |
| Diluted | $ 0.12 | $ 0.19 | $ 0.31 | $ 0.38 |
| Number of shares used in per share calculation | | | | |
| Basic | 5,307,000 | 5,277,000 | 5,293,000 | 5,272,000 |
| Diluted | 5,461,000 | 5,403,000 | 5,482,000 | 5,399,000 |
| **Other Operating Data:** | | | | |
| Number of retail stores(1) | 15 | 13 | 15 | 13 |
| Capital expenditures | 700 | 35 | 1,384 | 306 |
| Gross profit margin | 39.9% | 39.7% | 38.3% | 38.0% |

(1) Includes fourteen Dover-branded stores and one Smith Brothers store; two additional Dover-branded stores opened in 2011, Parker, CO in Q2 and Libertyville, IL in Q4.

**DOVER SADDLERY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(In thousands, unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2011 | Dec. 31, 2010 |
| **Net income** | **$641** | **$1,048** | **$1,724** | **$2,045** |
| Other comprehensive loss: | | | | |
| Change in fair value of interest rate swap contract, net of tax | 2 | — | 190 | — |
| **Total comprehensive income** | **$639** | **$1,048** | **$1,534** | **$2,045** |

**DOVER SADDLERY, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(In thousands, unaudited)

| | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 313 | $ 745 |
| Accounts receivable | 811 | 533 |
| Inventory | 19,383 | 15,869 |
| Prepaid catalog costs | 1,273 | 930 |
| Prepaid expenses and other current assets | 896 | 901 |
| Deferred income taxes | 261 | 105 |
| Total current assets | 22,937 | 19,083 |
| Net property and equipment | 3,667 | 3,025 |
| Other assets: | | |
| Deferred income taxes | 1,018 | 848 |
| Intangibles and other assets, net | 571 | 593 |
| Total other assets | 1,589 | 1,441 |
| Total assets | $28,193 | $23,549 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Current portion of capital lease obligations and outstanding checks | $ 1,100 | $ 97 |
| Accounts payable | 2,201 | 2,073 |
| Accrued expenses and other current liabilities | 5,741 | 5,425 |
| Income taxes payable | 308 | 414 |
| Total current liabilities | 9,350 | 8,009 |
| **Long-term liabilities:** | | |
| Revolving line of credit | 987 | — |
| Term note | 5,500 | — |
| Subordinated notes payable, net | — | 5,293 |
| Capital lease obligation, net of current portion | 16 | 89 |
| Interest rate swap contract | 322 | — |
| Total long-term liabilities | 6,825 | 5,382 |
| **Stockholders' equity:** | | |
| Common stock, par value $0.0001 per share; 15,000,000 shares authorized; 5,332,738 and 5,277,161 issued and outstanding as of December 31, 2011 and 2010, respectively | 1 | 1 |
| Additional paid in capital | 45,716 | 45,391 |
| Treasury stock, 795,865 shares at cost | (6,082) | (6,082) |
| Other comprehensive loss | (190) | — |
| Accumulated deficit | (27,427) | (29,152) |
| Total stockholders' equity | 12,018 | 10,158 |
| Total liabilities and stockholders' equity | $ 28,193 | $ 23,549 |

**Non-GAAP Financial Measures and Information**

From time to time, in addition to financial results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company provides financial information determined by methods other than in accordance with GAAP. The Company's management uses these non-GAAP measures in its analysis of the Company's performance and ongoing operations. The Company believes that these non-GAAP operating measures supplement our GAAP financial information and provide useful information to investors for evaluating the Company's operating results and trends that may be affecting the Company's business, as they allow investors to more readily compare our operations to prior financial results and our future performance. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP,

nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

When we use the term “Adjusted EBITDA”, we are referring to net income minus interest income, investment income and other income plus interest expense, income taxes, non-cash stock-based compensation, depreciation, amortization and other investment loss. We present Adjusted EBITDA because we consider it an important measure of our performance, and the Company ties its executive and employee bonus pools directly to this measure. We also believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

The following table reconciles net income to Adjusted EBITDA (in thousands):

| | **Three Months Ended** | | **Twelve Months Ended** | |
|---|---|---|---|---|
| | **Dec. 31, 2011** | **Dec. 31, 2010** | **Dec. 31, 2011** | **Dec. 31, 2010** |
| Net income | $ 641 | $1,048 | $1,724 | $2,045 |
| Depreciation | 193 | 185 | 747 | 731 |
| Amortization of intangible assets | — | 2 | 5 | 6 |
| Stock-based compensation | 56 | 54 | 242 | 190 |
| Interest expense, financing and other related costs, net | 127 | 266 | 728 | 1,030 |
| Other investment (income) loss, net | 22 | 69 | 18 | (314) |
| Provision for income taxes | 496 | 721 | 1,306 | 1,455 |
| **Adjusted EBITDA** | **$1,535** | **$2,345** | **$4,770** | **$5,143** |