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ZAGG INC

FORM 8-K
(Current report filing)

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Address	3855 S 500 W. SUITE J SALT LAKE CITY, UT 84115
Telephone	801-263-0699
CIK	0001296205
Symbol	ZAGG
SIC Code	5900 - Retail-Miscellaneous Retail
Industry	Containers & Packaging
Sector	Basic Materials
Fiscal Year	12/31

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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): February 27, 2012

ZAGG Inc
(Exact name of registrant as specified in its charter)

Nevada	001-34528	20-2559624
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3855 South 500 West, Suite J Salt Lake City, Utah	84115
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 263-0699

(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 (17CFR 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 February 27, 2012, ZAGG Inc (the "Registrant") issued a press release announcing the results of operations for the year ended December 31, 2011, and made publicly available certain supplemental financial information. The supplemental financial information is furnished with this report as Exhibit 99.1 and the press release is furnished with this report as Exhibit 99.2.

The Registrant also held its earnings conference call on February 27, 2012.

The information furnished under this Item 2.02 and Item 9.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any registration statement or other filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Supplemental Information for the Quarter and Year Ended December 31, 2011
99.2	Press Release Dated February 27, 2012.

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.

ZAGG Inc

By: /s/ **BRANDON T. O'BRIEN**
Brandon T. O'Brien
Chief Financial Officer

Date: **March 1, 2012**

Exhibit 99.1

ZAGG INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(Unaudited)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,433	$ 2,373
Accounts receivable, net of allowances of $2,070 in 2011 and $904 in 2010	45,450	17,669
Inventories	29,622	17,947
Prepaid expenses and other current assets	1,593	2,620
Related party other asset	-	3,900
Deferred income tax assets	5,018	2,196
Total current assets	108,116	46,705
Investment in HzO	4,879	-
Property and equipment , net of accumulated depreciation at $1,801 in 2011 and $852 in 2010	4,162	1,497
Goodwill	6,925	-
Intangible assets , net of accumulated amortization at $3,989 in 2011 and $28 in 2010	73,691	9,167
Note receivable	1,349	-
Other assets	3,010	63
Total assets	$ 202,132	$ 57,432
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 16,013	$ 12,122
Income taxes payable	3,998	8,031
Accrued liabilities	3,886	240
Accrued wages and wage related expenses	1,468	303
Deferred revenue	320	295
Current portion of note payable	2,372	31
Sales returns liability	5,387	2,068
Total current liabilities	33,444	23,090
Deferred income tax liability	100	1,561
Revolving line of credit	23,332	-
Noncurrent portion of note payable	42,628	-
Total liabilities	99,504	24,651
Redeemable noncontrolling interest	-	-
Stockholders' equity		
Common stock, $0.001 par value; 100,000 shares authorized;		
29,782 and 23,925 shares issued and outstanding, respectively	30	24
Additional paid-in capital	70,248	15,495

Cumulative translation adjustment	(33)	(60)
Note receivable collateralized by stock	(566)	-
Retained earnings	32,949	14,701
Total stockholders' equity	102,628	30,160
Noncontrolling interest	-	2,621
Total equity	102,628	32,781
Total liabilities and equity	$ 202,132	$ 57,432

ZAGG INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net sales	$ 67,492	$ 29,253	$ 179,125	$ 76,135
Cost of sales	36,122	15,898	97,201	38,738
Gross profit	31,370	13,355	81,924	37,397
Operating expenses:				
Advertising and marketing	2,367	1,509	10,246	5,067
Selling, general and administrative	14,624	5,742	43,541	15,516
Total operating expenses	16,991	7,251	53,787	20,583
Income from operations	14,379	6,104	28,137	16,814
Other income (expense):				
Interest expense	(1,452)	-	(3,022)	(243)
Gain on deconsolidation of HzO	1,906	-	1,906	-
Interest and other income	(123)	(11)	(19)	7
Total other income (expense)	331	(11)	(1,135)	(236)
Income before provision for income taxes	14,710	6,093	27,002	16,578
Income tax provision	(5,083)	(2,726)	(9,418)	(6,650)
Net income	9,627	3,367	17,584	9,928
Net loss attributable to noncontrolling interest	319	35	664	35
Net income attributable to stockholders	$ 9,946	$ 3,402	$ 18,248	$ 9,963
Earnings per share attributable to stockholders:				
Basic earnings per share	$ 0.34	$ 0.14	$ 0.67	$ 0.44
Diluted earnings per share	$ 0.32	$ 0.13	$ 0.63	$ 0.41

ZAGG INC AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION TO GAAP
(in thousands, except per share amounts)
(Unaudited)

Unaudited Supplemental Data

The following information is not a financial measure under generally accepted accounting principals (GAAP). In addition, it should not be construed as an alternative to any other measures of performance determined in accordance with GAAP, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities as there may be significant factors or trends that it fails to address. We present this financial information because we believe that it is helpful to some investors as one measure of our operations. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our results with our results from other reporting periods and with the results of other companies.

Adjusted EBITDA Reconciliation	**Three Months Ended**		**Twelve Months Ended**	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Net income attributable to stockholders in accordance with GAAP	$ 9,946	$ 3,402	$ 18,248	$ 9,963
Adjustments:				
a. Stock based compensation expense	584	317	3,258	993
b. Depreciation and amortization	2,463	109	5,926	348
c. iFrogz acquisition expenses	-	-	1,947	-
d. iFrogz inventory fair value write up	864	-	4,506	-
e. Provision for income taxes	5,083	2,726	9,418	6,650
f. Impairment of note receivable	418	-	1,489	-
g. Other(income) expense	(331)	11	1,135	236
h. Noncontrolling interest	(319)	(35)	(664)	(35)
Adjusted EBITDA	$ 18,708	$ 6,530	$ 45,263	$ 18,155
Diluted Adjusted EBITDA per common share	$ 0.60	$ 0.27	$ 1.56	$ 0.75

Non-GAAP Reconciliation	**Three Months Ended**		**Twelve Months Ended**	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Net income attributable to stockholders in accordance with GAAP	$ 9,946	$ 3,402	$ 18,248	$ 9,963
Adjustments:				
a. Modification of stock option	-	-	1,560	-
b. iFrogz acquisition expenses	-	-	1,947	-
c. iFrogz inventory fair value write up	864	-	4,506	-
d. Impairment of note receivable	418	-	1,489	-
e. Gain on deconsolidation of HzO	(1,906)	-	(1,906)	-
f. Income tax effects	(755)	-	(3,576)	-
Non-GAAP net income attributable to stockholders	$ 8,567	$ 3,402	$ 22,268	$ 9,963
Non-GAAP EPS attributable to stockholders	$ 0.27	$ 0.14	$ 0.77	$ 0.41
Weighted average number of shares outstanding - diluted	31,378	24,585	29,082	24,262

Exhibit 99.2

ZAGG Inc Reports Record Financial Results for Fourth Quarter and Full Year 2011

- ***Record fourth quarter consolidated revenue of $67.5 million***
- ***Record annual consolidated revenue of $179.1 million***
- ***Record GAAP diluted earnings of $0.32 per share for fourth quarter***
- ***Record GAAP diluted earnings of $0.63 per share for 2011***
- ***Exceed full year guidance and consensus estimates***
- ***Record operating cash flow***

SALT LAKE CITY--(BUSINESS WIRE)-- ZAGG Inc (NASDAQ: ZAGG) (www.ZAGG.com), a market leader in innovative mobile device accessories, today announced financial results for the fourth quarter and full year ended December 31, 2011.

Fourth Quarter Highlights (Fourth quarter 2011 versus fourth quarter 2010)

- Net sales increased 131% to $67.5 million, including iFrogz contribution
- Gross margin improved sequentially to 46%; 48% after inventory write up adjustment
- Non-GAAP earnings of $0.27 per diluted share
- Adjusted EBITDA increase of 186% to $18.7 million, or $0.60 per diluted share
- Generated over $7.0 million in operating cash flow
- Ending cash and cash equivalents balance of $26.4 million

"ZAGG performed exceptionally well with record fourth quarter revenue and earnings, as the result of strong holiday sales, record online sales and an expanded SKU presence at our indirect channel to big-box retail partners for both ZAGG and iFrogz branded products” said Robert G. Pedersen II, CEO of ZAGG. “With the operating initiatives we have put in place, and our alignment around a product centric-structure, we are building a company that can keep pace with the global growth we are seeing for mobile device accessories in 2012 and beyond."

Fourth Quarter Results

Net sales for the fourth quarter of 2011 increased 131% to $67.5 million from $29.3 million in the same quarter last year. Revenue by channel was 82% through indirect channels, 12% through ZAGG.com and iFrogz.com, 5% through the company's mall cart and kiosk programs and 1% from shipping and handling.

Gross profit for the fourth quarter was $31.4 million or 46% of net sales, representing a 135% increase, versus $13.4 million or 46% of net sales in the fourth quarter of the prior year. Gross profit for the quarter was impacted by the fair-value write up of iFrogz inventory as a part of purchase accounting. Excluding the inventory adjustment on the iFrogz inventories, gross profit was $32.2 million or 48% of net sales.

In the quarter, ZAGG incurred an impairment charge of $0.4 million on its note receivable. ZAGG also recorded a $1.9 million gain on the deconsolidation of HzO as ZAGG no longer has a controlling interest in HzO. Operating income for the fourth quarter was $14.4 million compared to $6.1 million for the fourth quarter of 2010 and $4.6 million for the previous quarter.

Net income attributable to stockholders for the fourth quarter was $9.9 million or $0.32 per diluted share as compared to net income attributable to stockholders of $3.4 million or $0.13 per diluted share in the fourth quarter of 2010. Excluding the fair value write-up of inventory of iFrogz goods sold in the quarter of $0.9 million, the impairment of the note receivable of $0.4 million, the $1.9 million gain recognized on the deconsolidation of HzO, and the related tax effects of these adjustments to GAAP net income, fourth quarter net income would have been $8.6 million or $0.27 per diluted share.

Adjusted EBITDA

ZAGG considers earnings before other income or expense; income tax provision; impairment losses; depreciation and amortization; acquisition expenses; inventory basis increase related to acquisition; non-controlling interest; and share-based compensation expense related to equity awards ("Adjusted EBITDA") to be an important financial indicator of the Company's operational strength and the performance of its business. These results should be considered in addition to results prepared in accordance with generally accepted accounting principles ("GAAP"), but should not be considered as a substitute for, or superior to, GAAP results.

A reconciliation of the differences between Adjusted EBITDA and the most comparable financial measure calculated and presented in accordance with GAAP, is presented under the heading "Reconciliation of Non-GAAP Financial Information to GAAP" immediately following the Condensed Consolidated Statements of Operations included below.

The difference between Adjusted EBITDA per share, a non-GAAP measure, and GAAP EPS, is other income or expense, income tax provision, depreciation and amortization, impairment losses, acquisition expenses, inventory basis increase related to acquisition, non-controlling interest, and share-based compensation.

Adjusted EBITDA for the fourth quarter of 2011 was $18.7 million versus $6.5 million in the fourth quarter of 2010, representing an increase of 186% over prior year's results or $0.60 per diluted share versus $0.27 per diluted share in the fourth quarter last year.

Outlook

Guidance for 2012 revenue is in excess of $250 million and Adjusted EBITDA of $55 million — $60 million. This compares to reported revenue for 2011 of $179.1 million and Adjusted EBITDA of $45.3 million.

Conference Call

A conference call will be held today at 5:00 p.m. EST to review these results. Participants may access via the Internet at the event website and on the Company website at:

http://investors.zagg.com . The call will be available for replay for 30 days by dialing 1-855-859-2056, Conference ID #53092569. A podcast of the event will also be available online or via Investor Calendar's RSS feed .

Non-GAAP Financial Disclosure

Investors are cautioned that the Adjusted EBITDA, or earnings before other income, income tax provision, impairment losses, depreciation and amortization, acquisition expenses, inventory basis increases related to acquisition, non-controlling interest and stock-based compensation, contained in this press release are not financial measures under generally accepted accounting principles. In addition, they should not be construed as alternatives to any other measures of performance determined in accordance with generally accepted accounting principles, or as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We present this financial information because we believe that it is helpful to some investors as a measure of our performance. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Safe Harbor Statement

This release contains "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, and such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" describe future expectations, plans, results, or strategies and are generally preceded by words such as "may," "future," "plan" or "planned," "will" or "should," "expected," "anticipates," "draft," "eventually" or "projected." You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors, and other risks identified in filings made by the company with the Securities and Exchange Commission.