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ZAGG INC

FORM 8-K
(Current report filing)

Filed 05/04/12 for the Period Ending 05/03/12

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): May 3, 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 May 3, 2012, ZAGG Inc (the "Registrant") issued a press release announcing the results of operations for the quarter ended March 31, 2012, 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 May 3, 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 Ended March 31, 2012
99.2	Press Release Dated May 3, 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

Date: **May 4, 2012**

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

Exhibit 99.1

ZAGG INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,856	$ 26,433
Accounts receivable, net of allowances of $2,166 in 2012 and $2,070 in 2011	36,374	45,450
Inventories	25,656	29,622
Prepaid expenses and other current assets	5,387	1,593
Deferred income tax assets	5,063	5,132
Total current assets	89,336	108,230
Equity method investment in HzO	4,416	4,879
Property and equipment , net of accumulated depreciation at $2,101 in 2012 and $1,857 in 2011	4,423	4,162
Goodwill	6,925	6,925
Intangible assets , net of accumulated amortization at $6,424 in 2012 and $3,989 in 2011	71,255	73,691
Deferred income tax assets	82	82
Note receivable	1,099	1,349
Other assets	3,051	3,010
Total assets	$ 180,587	$ 202,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 16,637	$ 16,013
Income taxes payable	2,223	4,294
Accrued liabilities	2,348	3,886
Accrued wages and wage related expenses	1,420	1,468
Deferred revenue	288	320
Current portion of note payable	-	2,372
Sales returns liability	5,163	5,387
Total current liabilities	28,079	33,740
Revolving line of credit	1,627	23,332
Noncurrent portion of note payable	41,000	42,628
Total liabilities	70,706	99,700
Stockholders' equity		
Common stock, $0.001 par value; 100,000 shares authorized;		
30,236 and 29,782 shares issued and outstanding, respectively	30	30
Additional paid-in capital	72,409	70,248
Cumulative translation adjustment	(53)	(33)
Note receivable collaterlized by stock	(566)	(566)
Retained earnings	38,061	32,949

Total stockholders' equity	109,881	102,628
Total liabilities and stockholders' equity	$ 180,587	$ 202,328

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

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net sales	$ 55,480	$ 26,976
Cost of sales	28,547	13,330
Gross profit	26,933	13,646
Operating expenses:		
Advertising and marketing	2,441	2,512
Selling, general and administrative	11,842	6,220
Amortization of definite-lived intangibles	2,422	50
Total operating expenses	16,705	8,782
Income from operations	10,228	4,864
Other income (expense):		
Interest expense	(1,521)	(11)
Loss from equity method investment in HzO	(463)	-
Interest and other income	(147)	-
Total other income (expense)	(2,131)	(11)
Income before provision for income taxes	8,097	4,853
Income tax provision	(2,985)	(1,595)
Net income	5,112	3,258
Net loss attributable to noncontrolling interest	-	52
Net income attributable to stockholders	$ 5,112	$ 3,310
Earnings per share attributable to stockholders:		
Basic earnings per share	$ 0.17	$ 0.14
Diluted earnings per share	$ 0.16	$ 0.13

ZAGG INC AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION TO GAAP
(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**	
	March 31, 2012	**March 31, 2011**
Net income attributable to stockholders in accordance with GAAP	$ 5,112	$ 3,310
Adjustments:		
a. Stock based compensation expense	1,342	304
b. Depreciation and amortization	2,804	176
c. Provision for income taxes	2,985	1,595
d. Other(income) expense	2,131	11
Adjusted EBITDA	$ 14,374	$ 5,396
Diluted Adjusted EBITDA per common share	$ 0.46	$ 0.21
Weighted average number of shares outstanding - diluted	31,417	26,216

Exhibit 99.2

ZAGG Inc Reports Record First Quarter Financial Results

- ***Record first quarter consolidated revenue of $55.5 million***
- ***GAAP diluted earnings of $0. 16 per share***
- ***Adjusted EBITDA of $14.4 million***
- ***Cash flow from operations of over $14 million***
- ***Paid down $27 million in debt***

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 first quarter ended March 31, 2012.

First Quarter Highlights (First quarter 2012 versus first quarter 2011)

- Consolidated revenue increased 106% to $55.5 million
- Adjusted EBITDA increased 166% to $14.4 million, or $0.46 per diluted share
- Gross margin of 48.5%
- Generated over $14.0 million in operating cash flow
- Ending cash and cash equivalents balance of $16.9 million
- Reduction of term and revolving debt by an aggregate of $27.0 million

"We are pleased with our strong first quarter results, which reflect our increased presence in our retail channel, the expansion of our product offerings and the underlying phenomenal demand for smartphones and tablets." said Robert G. Pedersen II, CEO of ZAGG. "The operational alignments we have put in place helped our results in the quarter. We are seeing tremendous level of employee unity and commitment across the board at ZAGG, which is translating into improved sales, operational and financial performance of our business."

First Quarter Results

Consolidated revenue for the first quarter of 2012 increased 106% to $55.5 million from $27.0 million in the same quarter last year. Revenue by channel was 83% through indirect channels, 10% through ZAGG.com and iFrogz.com, 6% through the company's mall cart and kiosk programs and 1% from shipping and handling.

Gross profit for the first quarter of 2012 was $26.9 million or 48.5% of net sales, representing a 97% increase, versus $13.6 million or 51% of net sales in the first quarter of the prior year.

Operating income for the first quarter of 2012 was $10.2 million compared to $4.9 million for the first quarter of 2011, an increase of 110%.

Net income attributable to stockholders for the first quarter of 2012 was $5.1 million or $0.16 per diluted share as compared to net income attributable to stockholders of $3.3 million or $0.13 per diluted share in the first quarter of 2011.

Adjusted EBITDA

ZAGG considers earnings before other income or expense; income tax provision; depreciation and amortization; 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, and share-based compensation.

Adjusted EBITDA for the first quarter of 2012 was $14.4 million versus $5.4 million in the first quarter of 2011, representing an increase of 166% over prior year's results, or $0.46 per diluted share versus $0.21 per diluted share in the first quarter last year.

Outlook

ZAGG reiterates its full year guidance for 2012 revenue 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 replay will be available for 30 days, and can be accessed online or toll-free at (855) 859-2056, Conference ID # 74099556. A webcast playback of the conference call will be archived investors.ZAGG.com for one year. A podcast of the event will also be available online.

Non-GAAP Financial Disclosure

Investors are cautioned that the Adjusted EBITDA, or earnings before other income or expense, income tax provision, depreciation and amortization, 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.