May 8, 2012

U.S. Auto Parts Network, Inc. Reports First Quarter 2012 Results

- Net sales $87.4 million.

- Adjusted EBITDA $4.2 million.

- Gross margin 30.5%.

CARSON, Calif., May 8, 2012 /PRNewswire/ -- U.S. Auto Parts Network, Inc. (NASDAQ: PRTS), one of the largest online providers of automotive aftermarket parts and accessories, today reported net sales for the first quarter ended March 31, 2012 ("Q1 2012") of $87.4 million compared with the first quarter ended April 2, 2011 ("Q1 2011") net sales of $87.0 million, an increase of 0.5% over Q1 2011 net sales. Q1 2012 net loss was $0.8 million or $0.03 per share, compared with Q1 2011 net loss of $0.2 million or $0.01 per share. The Company generated Adjusted EBITDA of $4.2 million for Q1 2012 compared to $6.7 million for Q1 2011, a decrease of 36.8% over Q1 2011. For further information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to net loss, see non-GAAP Financial Measures below.

"We made progress during the quarter and look to continue that progress in coming quarters" stated Shane Evangelist.

Q1 2012 Financial Highlights

- Net sales increased $0.5 million, or 0.5%, for Q1 2012 compared to Q1 2011. Our Q1 2012 net sales consisted of online sales, representing 93.4% of the total (compared to 93.9% in Q1 2011) and offline sales, representing 6.6% of the total (compared to 6.1% in Q1 2011). Our online sales were moderately higher primarily due to an increase in visitors and orders, partially offset by lower conversion, revenue capture and average order value. Offline net sales increased by 8.1% compared to last year.
- Gross margin declined 450 basis points to 30.5% of net sales during Q1 2012 compared to 35.0% in Q1 2011. Gross margin was unfavorably impacted by lower average selling price and higher freight expenses partially offset by a higher sales mix of our private label business.
- Online advertising expense, which includes catalog costs, decreased to $6.1 million, or 7.4% of online sales for Q1 2012 compared to $7.1 million, or 8.7% of online sales for Q1 2011. Marketing expense, excluding online advertising, was $7.4 million, or 8.4% of net sales for Q1 2012 compared to $6.5 million, or 7.5% of net sales for Q1 2011. Online advertising expense decreased primarily due to reduced catalog advertising costs. Marketing expenses, excluding online advertising, increased primarily due to higher amortization costs related to software deployments.
- General and administrative expense was $5.9 million or 6.7% of net sales for Q1 2012, down from $8.2 million or 9.5% of net sales for Q1 2011. The decrease of $2.3 million,

or 28.7%, for Q1 2012 compared to Q1 2011, was primarily due to $1.2 million in restructuring costs from Q1 2011 compared to none in Q1 2012, lower depreciation and amortization expense and lower payroll expenses.

- Fulfillment expense was $5.9 million or 6.8% of net sales in Q1 2012, up from $5.0 million or 5.8% of net sales in Q1 2011. The increase of $0.9 million, or 18.2%, for Q1 2012 compared to Q1 2011, was primarily due to higher depreciation and amortization expense from software deployments.
- Technology expense was $1.5 million or 1.8% of net sales in Q1 2012, down from $1.9 million or 2.2% of net sales in Q1 2011. The decrease of $0.4 million, or 20.7%, for Q1 2012 compared to Q1 2011, was primarily due to lower consulting and computer support expenses.
- Capital expenditures for Q1 2012 were $2.4 million, as compared to $3.7 million in Q1 2011.

Cash and cash equivalents and investments were $11.0 million and total debt was $18.0 million at March 31, 2012. The Company included $0.3 million of long-term auction rate preferred securities in investments. Cash and cash equivalents and investments decreased by $2.5 million from the previous quarter ended December 31, 2011, primarily due to payments on accounts payable and capital expenditures, partially offset by positive cash flows from other working capital sources and net proceeds from sales of our investments.

On April 26, 2012, the Company entered into a new credit agreement with JPMorgan Chase, N.A., which provides for a revolving commitment in an aggregate principal amount of up to $40 million with an option to increase the line up to $60 million. The credit agreement is subject to a borrowing base derived from certain receivables, inventory, property and pledged cash. The credit agreement obligations will mature on April 26, 2017. The Company used the proceeds of the loans borrowed to repay in full its existing credit facility with Silicon Valley Bank. The new arrangement has increased our available liquidity, currently requires no principal payments until maturity, may be prepaid at any time without penalty and includes a less restrictive fixed charge coverage ratio through the term. We previously reported the new credit agreement in an 8-K filing with the Securities and Exchange Commission on April 30, 2012.

Q1 2012 Operating Metrics

	Q1 2012	Q1 2011	Q4 2011
Conversion Rate	1.64 %	1.71 %	1.68 %
Customer Acquisition Cost	$ 7.50	$ 9.63	$ 9.87
Marketing Spend (% Internet Sales)	7.6 %	8.9 %	9.6 %
Visitors (millions) (1)	43.1	41.1	40.7
Orders (thousands)	705	702	682
Revenue Capture (% Sales) (2)	83.7 %	85.9 %	81.4 %
Average Order Value	$ 116	$ 125	$ 115

(1) Visitors do not include traffic from media properties (e.g. AutoMD).

(2) Revenue capture is the amount of actual dollars retained after taking into consideration returns, credit card declines and product fulfillment.

Non-GAAP Financial Measures

Regulation G, *"Conditions for Use of Non-GAAP Financial Measures*," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "Adjusted EBITDA," which is a non-GAAP financial measure. Adjusted EBITDA consists of net income before (a) interest income (expense), net; (b) income tax provision (benefit); (c) amortization of intangibles and impairment loss; (d) depreciation and amortization; (e) share-based compensation expense; (f) legal cost to enforce intellectual property rights and (g) restructuring costs related to acquisitions.

The Company believes that this non-GAAP financial measure provides important supplemental information to management and investors. This non-GAAP financial measure reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the accompanying reconciliation to corresponding GAAP financial measures, provides a more complete understanding of factors and trends affecting the Company's business and results of operations.

Management uses Adjusted EBITDA as a measure of the Company's operating performance because it assists in comparing the Company's operating performance on a consistent basis by removing the impact of items not directly resulting from core operations. Internally, this non-GAAP measure is also used by management for planning purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational strategies; and for evaluating the Company's capacity to fund capital expenditures and expand its business. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in our industry. Additionally, lenders or potential lenders use Adjusted EBITDA to evaluate the Company's ability to repay loans.

This non-GAAP financial measure is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the Company's non-GAAP measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

The table below reconciles net loss to Adjusted EBITDA for the periods presented (in thousands):

	Thirteen Weeks Ended March 31, 2012	**Thirteen Weeks Ended April 2, 2011**
Net loss	$ (788)	$ (245)
Interest expense, net	199	264
Income tax provision	124	18
Amortization of intangibles	340	1,627
Depreciation and amortization	3,747	3,003

EBITDA	3,622	4,667
Share-based compensation	584	681
Legal costs to enforce intellectual property rights	—	71
Restructuring costs	—	1,233
Adjusted EBITDA	$ 4,206	$ 6,652

Conference Call

The conference call is scheduled to begin at 2:00 pm Pacific Time (5:00 pm Eastern Time) on Tuesday, May 8, 2012. Participants may access the call by dialing 877-941-2069 (domestic) or 480-629-9713 (international). In addition, the call will be broadcast live over the Internet and accessible through the Investor Relations section of the Company's website at www.usautoparts.net where the call will be archived for two weeks. A telephone replay will be available through May 22, 2012. To access the replay, please dial 877-870-5176 (domestic) or 858-384-5517 (international), passcode 4536385.

About U.S. Auto Parts Network, Inc.

Established in 1995, U.S. Auto Parts is a leading online provider of automotive aftermarket parts, including body parts, engine parts, performance parts and accessories. Through the Company's network of websites, U.S. Auto Parts provides individual consumers with a broad selection of competitively priced products that are mapped by a proprietary product database to product applications based on vehicle makes, models and years. U.S. Auto Parts' flagship websites are located at www.autopartswarehouse.com, www.jcwhitney.com, www.partstrain.com, www.stylintrucks.com and www.AutoMD.com and the Company's corporate website is located at www.usautoparts.net.

U.S. Auto Parts is headquartered in Carson, California.

Safe Harbor Statement

This press release contains statements which are based on management's current expectations, estimates and projections about the Company's business and its industry, as well as certain assumptions made by the Company. These statements are forward looking statements for the purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended and Section 27A of the Securities Act of 1933, as amended. Words such as "anticipates," "could," "expects," "intends," "plans," "potential," "believes," "predicts," "projects," "seeks," "estimates," "may," "will," "would," "will likely continue" and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, the Company's expectations regarding its future operating results and financial condition, impact of changes in our key operating metrics, our potential growth, our liquidity requirements, and the status of our auction rate preferred securities. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, the Company's ability to integrate and achieve efficiencies of acquisitions, economic downturn that could adversely impact retail sales; marketplace illiquidity; demand for the Company's products; increases in commodity and component pricing that would increase the Company's per unit cost and reduce margins; the competitive and volatile environment in the Company's industry; the Company's ability to expand and price its product offerings, control costs and expenses, and provide superior customer service; the mix of products sold by the Company; the effect and timing of technological changes and the Company's ability to integrate such changes and maintain, update and expand its infrastructure and improve its unified product catalog; the Company's ability to improve customer satisfaction and retain, recruit and hire key executives, technical personnel and other employees in the positions and numbers, with the experience and capabilities, and at the compensation levels needed to implement the Company's business plans both domestically and internationally; the Company's cash needs, including requirements to amortize debt; regulatory restrictions that could limit the products sold in a particular market or the cost to produce, store or ship the Company's products; any changes in the search algorithms by leading Internet search companies; the Company's need to assess impairment of intangible assets and goodwill; the Company's ability to comply with Section 404 of the Sarbanes-Oxley Act and maintain an adequate system of internal controls; and any remediation costs or other factors discussed in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Risk Factors contained in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at www.usautoparts.net and the SEC's website at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements in this release and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. Unless otherwise required by law, the Company expressly disclaims any obligation to update publicly any forward-looking statements, whether as result of new information, future events or otherwise.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	March 31, 2012 (unaudited)	December 31, 2
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,834	$ 10,
Short-term investments	1,893	1
Accounts receivable, net of allowance of $236 and $183, respectively	9,189	7
Inventory	46,109	52,
Deferred income taxes	446	
Other current assets	3,472	3
Total current assets	69,943	75,
Property and equipment, net	33,764	34,
Intangible assets, net	9,664	9
Goodwill	18,854	18,

Investments	297	2
Other non-current assets	1,037	1
Total assets	$ 133,559	$ 142,
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 33,907	$ 41,
Accrued expenses	10,109	11,
Current portion of long-term debt	17,875	6
Current portion of capital lease payable	132	
Other current liabilities	7,704	7
Total current liabilities	69,727	66,
Long-term debt, net of current portion	—	11,
Capital leases payable, net of current portion	7	
Deferred income taxes	1,722	1
Other non-current liabilities	1,236	1
Total liabilities	72,692	81,
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value; 100,000,000 shares authorized; 30,645,764 and 30,625,764 shares issued and outstanding, respectively	31	
Additional paid-in capital	157,819	157,
Accumulated other comprehensive income	379	
Accumulated deficit	(97,362)	(96,
Total stockholders' equity	60,867	60,
Total liabilities and stockholders' equity	$ 133,559	$ 142,

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited, in thousands, except share and per share data)

	Thirteen Weeks Ended March 31, 2012	Thirteen Weeks Ended April 2, 2011
Net sales	$ 87,436	$ 86,978
Cost of sales (1)	60,808	56,562
Gross profit	26,628	30,416
Operating expenses:		
Marketing	13,450	13,585
General and administrative	5,870	8,236

Fulfillment	5,918	5,007
Technology	1,536	1,938
Amortization of intangibles	340	1,627
Total operating expenses	27,114	30,393
(Loss) income from operations	(486)	23
Other income (expense):		
Other income, net	31	31
Interest expense	(209)	(281)
Total other expense	(178)	(250)
Loss before income taxes	(664)	(227)
Income tax provision	124	18
Net loss	(788)	(245)
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	27	19
Unrealized gains on investments	25	11
Total other comprehensive income	52	30
Comprehensive loss	$ (736)	$ (215)
Basic and diluted net loss per share	$ (0.03)	$ (0.01)
Shares used in computation of basic and diluted net loss per share	30,638,320	30,450,078

(1) Excludes depreciation and amortization expense which is included in marketing, general and administrative and fulfillment costs.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Thirteen Weeks Ended March 31, 2012	Thirteen Weeks Ended April 2, 2011
Operating activities		
Net loss	$ (788)	$ (245)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,747	3,003
Amortization of intangibles	340	1,627
Deferred income taxes	126	25
Share-based compensation	584	681

Amortization of deferred financing costs	39	30
Loss from disposition of assets	4	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,267)	(1,454)
Inventory	6,138	5,421
Other current assets	29	(390)
Other noncurrent assets	—	(42)
Accounts payable and accrued expenses	(9,303)	(2,531)
Other current liabilities	(18)	551
Other noncurrent liabilities	149	109
Net cash (used in) provided by operating activities	(220)	6,785
Investing activities		
Additions to property and equipment	(2,371)	(3,688)
Proceeds from sale of property and equipment	14	—
Cash paid for intangibles	(16)	—
Proceeds from sale of marketable securities and investments	1,071	—
Purchases of marketable securities and investments	(7)	(6)
Changes in restricted cash	—	319
Purchases of company-owned life insurance	—	(281)
Net cash used in investing activities	(1,309)	(3,656)
Financing activities		
Payments made on long-term debt	—	(2,000)
Changes in book overdraft	(1)	57
Payments of debt financing costs	(13)	—
Payments on capital leases	(33)	(20)
Proceeds from exercise of stock options	43	122
Net cash used in financing activities	(4)	(1,841)
Effect of exchange rate changes on cash	32	1
Net change in cash and cash equivalents	(1,501)	1,289
Cash and cash equivalents, beginning of period	10,335	17,595
Cash and cash equivalents, end of period	$ 8,834	$ 18,884
Supplemental disclosure of non-cash investing activities:		
Accrued asset purchases	1,717	1,696
Property acquired under capital lease	—	32
Unrealized gain on investments	17	12
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	—	3
Cash paid during the period for interest	218	569

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