

May 9, 2016



U.S. Auto Parts Reports First Quarter 2016 Results

- Net Sales up 6% to \$80.7 Million; Adjusted EBITDA up 52% to \$4.3 Million

CARSON, Calif., May 9, 2016 /PRNewswire/ -- U.S. Auto Parts Network, Inc. (NASDAQ: PRTS), one of the largest online providers of aftermarket automotive parts and accessories, reported results for the first quarter ended April 2, 2016. All information and data excludes AutoMD unless specifically noted.

First Quarter 2016 Financial Highlights vs. Year-Ago Quarter

- Net sales up 6% to \$80.7 million
- Gross margin increased 230 basis points to 30.4%
- Adjusted EBITDA (a non-GAAP measure defined below) increased 52% to \$4.3 million
- Net income increased 8x to \$1.5 million, or \$0.03 per diluted share

First Quarter 2016 Operational Highlights vs. Year-Ago Quarter

- Unique visitors increased 3% to 31.4 million
- Conversion rate increased by 10 basis points to 1.8%
- Total online orders increased by 8.5% to 881,000 orders

Management Commentary

"Our first quarter was highlighted by the continued strength of our private label business, which realized double-digit year-over-year growth for the ninth consecutive quarter," said Shane Evangelist, CEO of U.S. Auto Parts. "The higher-margin nature of this business, coupled with our continued execution of strategic pricing initiatives and freight efficiencies, enabled us to generate our strongest quarter of net income since 2010."

First Quarter 2016 Financial Results

Net sales in the first quarter of 2016 increased 6% to \$80.7 million compared to \$76.3 million in the year-ago quarter. The increase was largely driven by an 11% increase in online marketplace sales to \$21.3 million, as well as a 5% increase in e-commerce sales to \$50.9 million.

Gross profit in the first quarter of 2016 increased 15% to \$24.5 million compared to \$21.4 million in the year-ago quarter. As a percentage of net sales, gross profit increased 230 basis points to 30.4% compared to 28.1%. The increase in gross margin was primarily driven by a higher mix of private label sales, which were 67% of net sales compared to 64% in the year-ago quarter. The increase was also driven by strategic pricing initiatives and freight efficiencies.

Total operating expenses in the first quarter were \$22.6 million compared to \$20.7 million in the year-ago quarter. As a percentage of net sales, operating expenses increased to 28.0% compared to 27.1%. The increase was primarily the result of increased fulfillment costs and marketing spend.

Adjusted EBITDA in the first quarter of 2016 increased 52% to \$4.3 million compared to \$2.9 million in the year-ago quarter. As a percentage of net sales, adjusted EBITDA increased 170 basis points to 5.4% compared to 3.7%. The significant increase was driven by the aforementioned improvements in gross margin, partially offset by the aforementioned increases in operating expenses.

Net income in the first quarter increased 8x to \$1.5 million, or \$0.03 per diluted share, compared to net income of \$0.2 million, or \$0.00 per diluted share in the year-ago quarter.

At April 2, 2016, cash and cash equivalents totaled \$1.3 million compared to \$1.5 million at January 2, 2016. Total debt decreased to \$3.0 million from \$11.8 million at January 2, 2016.

Key Operating Metrics

| | Q1 2016 | Q1 2015 | Q4 2015 |
|---|---------|---------|---------|
| Conversion Rate ¹ | 1.78 % | 1.69 % | 1.78 % |
| Customer Acquisition Cost ¹ | \$7.73 | \$7.30 | \$7.95 |
| Unique Visitors (millions) ¹ | 31.4 | 30.6 | 27.6 |
| Number of Orders - E-commerce only (thousands) | 559 | 516 | 492 |
| Number of Orders - Online Marketplace (thousands) | 322 | 296 | 246 |
| Total Number of Internet Orders (thousands) | 881 | 812 | 738 |
| Revenue Capture (% Sales) ² | 85.5 % | 85.5 % | 85.8 % |
| Average Order Value - E-commerce only | \$106 | \$110 | \$106 |
| Average Order Value - Online Marketplace | \$72 | \$71 | \$71 |
| Average Order Value - Total Internet Orders | \$94 | \$96 | \$94 |

1. Excludes online marketplaces and 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 and excludes online marketplaces and media properties (e.g. AutoMD).

Conference Call

U.S. Auto Parts will conduct a conference call today at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to discuss its financial results for the first quarter ended April 2, 2016.

The company's CEO Shane Evangelist and CFO Neil Watanabe will host the conference call, followed by a question and answer period.

Date: Monday, May 9, 2016

Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)

Toll-free dial-in number: 877-407-9039

International dial-in number: 201-689-8470

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at 1-949-574-3860.

The conference call will be broadcast live and available for replay via the investor relations section of the company's website at www.usautoparts.net.

A telephone replay of the conference call will also be available on the same day through May 23, 2016.

Toll-free replay number: 877-870-5176

International replay number: 858-384-5517

Replay ID: 13635142

About U.S. Auto Parts Network, Inc.

Established in 1995, U.S. Auto Parts is a leading online provider of automotive aftermarket parts, including collision 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 consumer websites are located at www.autopartswarehouse.com, www.jcwhitney.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.

Non-GAAP Financial Measures

Regulation G, 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 expense, net; (b) income tax provision; (c) depreciation and amortization expense; (d) amortization of intangible assets; and (e) share-based compensation expense.

The Company believes that this non-GAAP financial measure provides important supplemental information to management and investors. This non-GAAP financial measures

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 one 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 stock compensation expense, as well as items that are not expected to be recurring. 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; and for evaluating the effectiveness of operational strategies. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the ongoing operations of companies in our industry.

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.

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 and our liquidity requirements. 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, competitive pressures, our dependence on search engines to attract customers, demand for the Company's products, the online market for aftermarket auto parts, the economy in general, increases in commodity and component pricing that would increase the Company's product costs, the operating restrictions in our credit agreement, the weather, and any 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.

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Summarized segment information for our continuing operations from the two reportable segments for the periods presented is as follows (in millions):

| | Thirteen Weeks Ended | | | | | | | |
|-------------------------------|----------------------|----------|----------|----------|---------------|----------|--------|--|
| | April 2, 2016 | | | | April 4, 2015 | | | |
| | Base USAPAMD | | Consol | | Base USAPAMD | | Consol | |
| Net sales | \$ 80.75 | \$ 0.06 | \$ 80.81 | \$ 76.33 | \$ 0.06 | \$ 76.39 | | |
| Gross profit | \$ 24.53 | \$ 0.06 | \$ 24.59 | \$ 21.42 | \$ 0.06 | \$ 21.48 | | |
| | 30.4 | % 100.0 | % 30.4 | % 28.1 | % 100.0 | % 28.1 | % | |
| Operating expenses | \$ 22.62 | \$ 0.79 | \$ 23.41 | \$ 20.72 | \$ 0.78 | \$ 21.50 | | |
| | 28.0 | % — | % 29.0 | % 27.1 | % — | % 28.1 | % | |
| Income (loss) from operations | \$ 1.91 | \$(0.73) | \$ 1.18 | \$ 0.70 | \$(0.71) | \$(0.02) | | |
| | 2.4 | % — | % 1.5 | % 0.9 | % — | % — | % | |
| Net income (loss) | \$ 1.54 | \$(0.55) | \$ 0.99 | \$ 0.19 | \$(0.50) | \$(0.32) | | |
| | 1.9 | % — | % 1.2 | % 0.2 | % — | %(0.4) | % | |
| Adjusted EBITDA | \$ 4.34 | \$(0.39) | \$ 3.96 | \$ 2.85 | \$(0.29) | \$ 2.56 | | |

5.4 % — %4.9 %3.7 % — %3.4 %

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

| | Thirteen Weeks Ended | | | | | |
|-----------------------------------|----------------------|--------------|--------------|---------------|--------------|--------------|
| | April 2, 2016 | | | April 4, 2015 | | |
| | Base USAPAMD | Consolidated | Base USAPAMD | Consolidated | Base USAPAMD | Consolidated |
| Net income (loss) | \$ 1,537 | \$(547) | \$ 990 | \$ 187 | \$(503) | \$(316) |
| Depreciation & amortization | 1,544 | 307 | 1,851 | 1,549 | 385 | 1,934 |
| Amortization of intangible assets | 112 | 8 | 120 | 107 | 8 | 115 |
| Interest expense, net | 346 | — | 346 | 373 | — | 373 |
| Taxes | 33 | (182) | (149) | 158 | (210) | (52) |
| EBITDA | \$ 3,572 | \$(414) | \$ 3,158 | \$ 2,374 | \$(320) | \$ 2,054 |
| Stock comp expense | \$ 772 | \$29 | \$ 801 | \$ 477 | \$33 | \$ 510 |
| Adjusted EBITDA | \$ 4,344 | \$(385) | \$ 3,959 | \$ 2,851 | \$(287) | \$ 2,564 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

(Unaudited, in Thousands, Except Per Share Data)

| | Thirteen Weeks Ended | |
|------------------------------|----------------------|---------------|
| | April 2, 2016 | April 4, 2015 |
| Net sales | \$ 80,806 | \$ 76,388 |
| Cost of sales ⁽¹⁾ | 56,214 | 54,910 |
| Gross profit | 24,592 | 21,478 |

Operating expenses:

| | | |
|---|----------|---------|
| Marketing | 11,490 | 10,852 |
| General and administrative | 4,485 | 4,181 |
| Fulfillment | 6,038 | 5,060 |
| Technology | 1,277 | 1,288 |
| Amortization of intangible assets | 120 | 115 |
| Total operating expenses | 23,410 | 21,496 |
| Income (loss) from operations | 1,182 | (18) |
| Other income (expense): | | |
| Other income, net | 6 | 23 |
| Interest expense | (347) | (373) |
| Total other expense, net | (341) | (350) |
| Income (loss) before income taxes | 841 | (368) |
| Income tax provision (benefit) | (149) | (52) |
| Net income (loss) including noncontrolling interests | 990 | (316) |
| Net loss attributable to noncontrolling interests | (262) | (256) |
| Net income (loss) attributable to U.S. Auto Parts | 1,252 | (60) |
| Other comprehensive loss attributable to U.S. Auto Parts: | | |
| Foreign currency translation adjustments | (5) | (10) |
| Total other comprehensive loss attributable to U.S. Auto Parts | (5) | (10) |
| Comprehensive loss attributable to U.S. Auto Parts | \$ 1,247 | \$ (70) |
| Net income (loss) attributable to U.S. Auto Parts per share: | | |
| Basic and diluted net income (loss) per share | \$ 0.03 | \$ 0.00 |
| Diluted net income (loss) per share | \$ 0.03 | \$ 0.00 |
| Weighted average common shares outstanding: | | |
| Shares used in computation of basic net income (loss) per share | 34,497 | 33,720 |
| Shares used in computation of diluted net income (loss) per share | 39,359 | 33,720 |

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

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

CONSOLIDATED BALANCE SHEETS

(Unaudited, In Thousands, Except Par and Liquidation Value)

| | April 2, 2016 | January 2, 2016 |
|--|--------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$4,542 | \$5,537 |
| Short-term investments | 65 | 65 |
| Accounts receivable, net of allowances of \$34 and \$17 at April 2, 2016 and January 2, 2016, respectively | 3,461 | 3,236 |
| Inventory | 46,937 | 51,216 |
| Other current assets | 3,109 | 2,475 |
| Total current assets | 58,114 | 62,529 |
| Property and equipment, net | 18,138 | 18,431 |
| Intangible assets, net | 1,356 | 1,476 |
| Other non-current assets | 1,253 | 1,320 |
| Total assets | \$78,861 | \$83,756 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$27,635 | \$25,523 |
| Accrued expenses | 7,679 | 7,267 |
| Revolving loan payable | 3,000 | 11,759 |
| Current portion of capital leases payable | 530 | 521 |

| | | |
|--|-----------|-----------|
| Other current liabilities | 4,456 | 3,854 |
| Total current liabilities | 43,300 | 48,924 |
| Capital leases payable, net of current portion | 10,128 | 10,168 |
| Deferred income taxes | 766 | 944 |
| Other non-current liabilities | 1,566 | 1,577 |
| Total liabilities | 55,760 | 61,613 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series A convertible preferred stock, \$0.001 par value; \$1.45 per share liquidation value or aggregate of \$6,017; 4,150 shares authorized; 4,150 shares issued and outstanding at April 2, 2016 and January 2, 2016 | 4 | 4 |
| Common stock, \$0.001 par value; 100,000 shares authorized; 34,675 and 34,137 shares issued and outstanding at April 2, 2016 and January 2, 2016 | 35 | 34 |
| Additional paid-in capital | 176,919 | 176,873 |
| Accumulated other comprehensive income | 421 | 440 |
| Accumulated deficit | (155,819) | (157,011) |
| Total stockholders' equity | 21,560 | 20,340 |
| Noncontrolling interest | 1,541 | 1,803 |
| Total equity | 23,101 | 22,143 |
| Total liabilities and stockholders' equity | \$78,861 | \$83,756 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, In Thousands)

Thirteen Weeks Ended

April 2, 2016 April 4, 2015

Operating activities

Net income (loss) including noncontrolling interests \$ 990 \$ (316)

Adjustments to reconcile net income (loss) to net cash provided by operating activities:

| | | |
|---|----------|---------|
| Depreciation and amortization expense | 1,851 | 1,934 |
| Amortization of intangible assets | 120 | 115 |
| Deferred income taxes | (178) | (67) |
| Share-based compensation expense | 802 | 510 |
| Stock awards issued for non-employee director service | 2 | — |
| Amortization of deferred financing costs | 20 | 20 |
| Gain from disposition of assets | — | (13) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (225) | (405) |
| Inventory | 4,279 | 15 |
| Other current assets | (630) | (506) |
| Other non-current assets | 49 | (7) |
| Accounts payable and accrued expenses | 2,492 | 2,497 |
| Other current liabilities | 601 | 904 |
| Other non-current liabilities | 78 | (131) |
| Net cash provided by operating activities | 10,251 | 4,550 |
| Investing activities | | |
| Additions to property and equipment | (1,276) | (2,151) |
| Proceeds from sale of property and equipment | — | 13 |
| Cash paid for intangible assets | (125) | (110) |
| Net cash used in investing activities | (1,401) | (2,248) |
| Financing activities | | |
| Borrowings from revolving loan payable | 5,939 | 4,314 |
| Payments made on revolving loan payable | (14,698) | (5,850) |
| Proceeds from stock options | 127 | 13 |

| | | |
|---|----------|----------|
| Payments on capital leases | (141) | (66) |
| Statutory tax withholding payment for share-based compensation | (970) | (438) |
| Payment of liabilities related to financing activities | (100) | — |
| Net cash used in financing activities | (9,843) | (2,027) |
| Effect of exchange rate changes on cash | (2) | (11) |
| Net change in cash and cash equivalents | (995) | 264 |
| Cash and cash equivalents, beginning of period | 5,537 | 7,653 |
| Cash and cash equivalents, end of period | \$ 4,542 | \$ 7,917 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Accrued asset purchases | \$ 849 | \$ 700 |
| Property acquired under capital lease | \$ 111 | \$ — |
| Accrued intangible asset | — | 15 |
| Supplemental disclosure of cash flow information: | | |
| Cash (paid) received during the period for income taxes | \$ (7) | \$ 7 |
| Cash paid during the period for interest | 315 | 303 |

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/us-auto-parts-reports-first-quarter-2016-results-300265226.html>

SOURCE U.S. Auto Parts Network, Inc.