

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call**

**Event Date/Time: Jul. 28. 2011 / 3:30PM GMT**



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

## CORPORATE PARTICIPANTS

**Jonathan Johnson**

*Overstock.com Inc. - President*

**Steve Chesnut**

*Overstock.com Inc. - SVP, Finance and Risk Management*

**Patrick Byrne**

*Overstock.com, Inc. - Chairman and CEO*

## CONFERENCE CALL PARTICIPANTS

**Dan Kurnos**

*The Benchmark Company - Analyst*

**Nat Schindler**

*Bank of America/Merrill Lynch - Analyst*

## PRESENTATION

**Operator**

Good morning. My name is Salina and I will be your conference operator today. At this time, I would like to welcome everyone to the O.co, also known as Overstock.com, Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions). It is my pleasure to turn today's conference call over to Mr. Jonathan Johnson. Please go ahead, Sir.

---

**Jonathan Johnson - Overstock.com Inc. - President**

Thank you, Salina. Good morning and welcome to our 2002-- or 2011 Q2 Earnings Conference Call. Joining me on the call are Patrick Byrne, Chairman and CEO, and Steve Chesnut, Senior Vice President of Finance and Risk Management.

We can't predict the future, so let me first read the legal forward-looking statement language.

The following discussion and our responses to your questions reflect Management's views as of today, July 28, 2011, and may include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in the press release and the Form 10-Q that were issued this morning and on the Form 10-K filed earlier this year.

During this call, we will discuss certain non-GAAP financial measures. The slides accompanying this webcast and our filings with the SEC, each of which are on our Investor Relations website, contain additional disclosures regarding these non-GAAP measures, including reconciliations of these measures to the most comparable GAAP measures.

With that formality out of the way, let me turn the call over to Steve to highlight some financial results.

---

**Steve Chesnut - Overstock.com Inc. - SVP, Finance and Risk Management**

Great. Thank you, Jonathan. Let me give you a brief overview of our financial results for the second quarter of 2011. Unless otherwise stated, all comparisons during the call today will be against our results from Q2 of 2010.



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

Let's look at revenue. Revenue for the quarter increased by \$3.7 million or 2%. The primary reason for the lower growth rate this quarter were declining traffic to the website, changes in our product mix, and the Google penalty that was in effect through April 21 of 2011.

Gross profit declined by 4%, and gross margin decreased by 110 basis points to 16.9%, due primarily to pricing initiatives.

Contribution margin fell by 70 basis points to 11.1%.

Combined technology and G&A expenses increased by 17%, largely due to increases in IT-related staffing and depreciation expense and higher legal expense.

Small revenue growth, negative contribution growth, and rising operating expenses resulted in a net loss for the quarter of \$7.8 million, an increased loss of \$6.5 million compared to last year.

We ended Q2 with \$83 million in cash and cash equivalents and \$8 million of working capital.

Free cash flow on a trailing 12-months basis was \$23 million, a \$3 million increase. This was largely due to spending \$9 million less on capital expenditures, partially offset by a \$6 million decrease in operating cash flow.

I would encourage you to review our Form 10-Q that we filed today for more detailed information on our results. With that brief overview, let me turn the call over to Patrick.

---

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Thank you, Steve. I'll be referring to the slide deck and continuing on slide 3. We've just gone over all the facts on it.

Slide 4, we did launch the discounted vacations platform, unveiled the O.co Coliseum in Oakland, and launched a new type of shipping, carbon-neutral shipping for Worldstock.

Slide 5, as I've said before, these flywheels, they get spinning in one direction and when they spin well, it's-- that's great, and when they're spinning against you, you have to break it. We have broken it this quarter, the compression in our revenue growth. We have broken that compression, finally showing a tiny bit of growth. But on the other hand, that came, slide 6, that came at the cost of more gross margin than we-- than I would have liked and we have seen the decline of 4%.

Slide 7, contribution margin. 11.1%, is too-- is not the right number for us. We did have a slight compression at how much we're spending on marketing versus the same quarter last year, 6.1% to 5.8%. But at this point, having the 11.1% is not good. There were some-- we over corrected in some areas and didn't correct in the right areas and we ended up with that number.

Slide 8, quarterly contribution growth. I've been saying for a long time, pay attention to this. This is what we're really trying to run things to. And this was a bad result. We have really been-- well, it was a bad result. First time it's gone negative in a long time.

But it's a-- in good years, I say when this is growing, it's been growing 40% or 50%, I say pay attention to that and I'm not going to change anything now. That's the most important number to me, after expense control is that number, and we have to see that ticking up.

Slide 9, operating free cash flow has compressed to \$23 million from \$33 million same quarter last year. That is-- I'm sorry, free cash flow is the \$23 million; from cash flow from operations, \$33 million. That's a number of concern to us that it is compressed like that.



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

Slide 10, GAAP annualized inventory turns were finally at, we're at 7.0, which for a normal retail business would be considered fine. For us, I think with a, and this is on a direct basis only, for us we should be able to do much better than that, I would think, with as many people a day coming into our stores we have. On a GAAP basis, we're running at 35 turns, which is of course great, although I don't think it means too much in this context.

GMROI, slide 11, is 74%. That's horrible. That's horrible and we're just-- again, that's on a direct basis, on a GAAP basis, I guess. I don't know if you would say a GAAP GMROI, but it's 745%. I really think that 1000% should be possible or more. So that's a lousy result.

Slide 12, there are some glimmers of excitement. We do just get better and better at customer service. All-time high or all-time recent high. I think it's an all-time high for us, 62%. And again, that's of people who contact the company as opposed to an 8% overall. And that for people who-- the average American company, their average score. So there's actually quite a bit of headwind against this number, against the 62%. So we really have exceptional customer satisfaction.

Slide 13 is we're-- basically the unique customers in the quarter were down 3%. The number of people who have purchased from us over the last year has increased 16% to just over 25 million people.

Slide 14, new customers and CPA. The new customers are down 9% and the cost is up 5% versus same quarter last year, 20 to 21. So again, that's not good.

Slide 15, B2C customer orders flat to a little down, minus 3%.

Slide 16, average order size up 6%. Although we don't see that as anything to celebrate one way or another. I know a lot of people look at that, but-- and \$128 is a fine number for an average order size, but we actually don't try to drive this one way or another.

Slide 17, gross profit per transaction is basically flat or down a little bit, 2%. So the number of transactions dropped and then the gross profit per transaction dropped each a little bit, but it gave us a 4% decline in the gross profit. And marketing really didn't get any more efficient.

The corporate employees are up 12%, but that is deliberate. If you broke corporate into software, dev and versus other corporate, you see that at this point, our corporate has gone flat to even a little bit down, their cost, their headcount. But we've built up software development teams, and we think that's the appropriate investment to be making in the future.

Slide 19, questions. I think we had one set of questions come in from Glenn Surowiec. Standby a moment.

For the trailing 12 quarters, revenues were up 8%, writes Glenn, contribution dollars are up 5.7%. I hope we can all agree these results are substandard. You're underperforming industry, dramatically underperforming Amazon at a 50th of their size. What's their plan for improvement? Please be specific.

Yes, this is definitely substandard for the last 12 months, especially this quarter. Amazon I'd say domestically is 25 times our size, and it's substandard for us to be growing this much less at that small, a fraction of their size. It has not been, for much of our history, it has not been like that. We have had for the last 3 or 4 years, once we came through our tough times, we've had spurts of growth, but have had trouble sustaining it.

What is the plan for improvement? Well let me get back to that. Is 12% to 15%, Glen writes, is 12% to 15% contribution dollar a reasonable long-term goal? Yes. Contribution dollar growth. And yes, I think the contribution dollar growth at 12% to 15% is reasonable if you assume-- if you think that the industry is going to grow 12% to 15%.



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

If the top line is growing 12% to 15%, there are different points of view on what the contribution line should be growing. Should you be looking for economies of scale out of your marketing, or should you be giving, once you're covering your cost, should you be giving even more and more back to the consumers in pricing? I'm more of the latter school.

I might, at this point I might think that strategically the right thing for us to be doing is growing our contribution dollars somewhat less than top line. But in-- the question is moot at this point. So, but for the long term, yes, I think that the 12% to 15% contribution dollar growth is a reasonable goal.

What's the internal process for bringing new businesses to market? Well, we've had some losers and some winners. Eziba, real estate, Ski West and auctions, on the other hand, insurance, cars and international.

The first four have not done well. First four have not done well. Auctions we shut down finally. We switched to marketplace some months ago. And we were in the process of developing a marketplace and then we decided to-- the thing we wanted to do through the marketplace was something we could accomplish perhaps in a different way. So we shut that down.

I wouldn't say it's completely obvious. Over the years, that last lost us several million dollars. I wouldn't say it's completely obvious. That auction site got us so many new customers who then went on and spent at Overstock, and they-- something on the order of we-- if we analyze how many people had never come to Overstock before, came to our auction site, for the first time came to our auction site, having never bought from us, and then went on and bought from us, I think it's on the order of \$250 million over the years.

Now, would some of those people had found Overstock anyway and bought from us anyway? Yes. But some very, and I don't know how to estimate that off the top of my head, but some-- the auction site did get us a lot of new customers who spent a lot of money in our shopping site.

So, however, we are refocusing our Company as O.co. The mantra is the Savings Engine. Don't know if that's exactly what you're going to see in the marketplace, but as the Savings Engine, we've-- we're saying that as much to focus ourselves as in our customers' minds of where we belong in the market.

And we decided to get out of businesses where we can't, where we were not bringing really legitimate savings to people. At auctions, yes, we could run it with cheaper fees, but auctions go to what auctions prices go to. There's no way that we have some-- that we can make auctions come out cheaper on our site for the consumer.

Real estate, same thing. Buying a home is a negotiated price. We realize there's no way for us-- yes, we can get mortgages, we can get mortgage companies to offer mortgages a little bit cheaper and so on and so forth through our site, but ultimately, there was no-- if we're focused on being just about savings, then we can't-- we should get out of businesses where we can't deliver, that we had no special edge in delivering savings.

I'd say Eziba was turning out to cannibalize. Again, as far as customer base, we weren't growing the customer base outside of our current customer base, and our current customers were doing better for us economically just coming in to shopping than going to Eziba. So we killed those.

On the other hand, insurance, cars, and international have been hatched differently. They are doing nicely for us. And insurance is just a couple few weeks old, but it's doing just fine for us. And those are industries where we really can bring-- our car site is a very good car site with special deals and lets you find special deals. It lets you save money. If you're going car hunting, you can actually save money coming through O.co.

Same with insurance. Don't know if anyone on the phone has used the insurance tab, but people are really reporting savings, both internally within the company. Before we decided to get into this, we had to demonstrate to ourselves that we could get, really deliver savings. And people who are using it are telling me they're getting savings.



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

International, same thing. Our business model there, we're passively, I wouldn't say-- we're almost passively letting that spin up. We're not putting capital abroad yet. We're not doing any capital abroad to support this business. We're just letting it spin up and getting the systems right.

And it is just spinning up on its own. And it's profitable and it's just spinning, it's spinning up gently on its own. And that's at this point, until we're seeing a more secure position within the US, that's how we want to run it. We don't want to be pushing any capital overseas to support it.

I'd say other things that happened this quarter, it'd probably-- the Google penalty was part of the quarter, and even when the Google penalty came off-- we were penalized by Google for giving discount codes to professors and students for mentioning us in blogs, which was sort have been open technique discussed in the industry at that time, and it was not generally perceived as anything but white hat. But that penalty ended at some point in the quarter, but there were some lingering effects.

There was also heavy, heavy discounting in the world of Macy's and Saks Fifth Avenue. I was surprised at how much couponing. That can't be their business model at Saks to be offering 70% off as constantly as they were in the last quarter.

So we sat that out. In fact, we've cut way back on couponing. And we have been playing it a little bit conservative. Maybe too conservative. We have \$24 million due in debt coming at the end of the year that concerned us, and we decided to play conservatively so that wouldn't, that just wouldn't be an issue, and it's not going to be an issue. So we probably did play, we played the game too conservatively, and, well, I'll leave it at that.

Jonathan or Steve, what would you like to add to that?

---

**Steve Chesnut** - *Overstock.com Inc. - SVP, Finance and Risk Management*

I think the way you've laid out the quarter I think is the right perspective on this, Patrick. It was a tough quarter. I think we've learned, and going forward we think we'll have better quarters.

---

**Jonathan Johnson** - *Overstock.com Inc. - President*

I'd echo that.

---

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Are there any questions?

---

**Jonathan Johnson** - *Overstock.com Inc. - President*

Salina? Is there a moderator on?

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question will come from the line of Dan Kurnos with Benchmark.

Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

**Dan Kurnos** - *The Benchmark Company - Analyst*

Hi. Good afternoon, guys.

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Hi, Dan.

**Jonathan Johnson** - *Overstock.com Inc. - President*

Hi, Dan.

**Dan Kurnos** - *The Benchmark Company - Analyst*

So I guess I have a few questions here. I'll sort of work my way top to bottom. The first question I have is I know that you guys removed your affiliate agreements in California following the passage of the Amazon tax. And I just wanted to see if you guys could give any color on how that might impact your top line growth going forward.

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Sure. The affiliates are, in general, about-- have been historically about 12% of our business, and unfortunately, a disproportionate share of affiliates live in California. So something on the order of 35% to 40% live in California. So you can multiply the two numbers and get just about what, how it would-- its first order impact.

On the other hand, it turns out if you don't have the affiliates, some of the customers find you anyway. And in addition, a fair bit of the affiliates in other states, the bigger affiliates are just moved to nearby states like Illinois, people moved to Wisconsin. Sort of a third, we think. I don't know if people are going to leave California for Nevada, but-- So there's a first order effect that sort of looks in the mid-single digits percent, and, or maybe a little bit lower than that, and then a second order effect as customers and affiliates readjust.

**Dan Kurnos** - *The Benchmark Company - Analyst*

So given that and given sort of what happened in this quarter, are you still targeting to be able to achieve growth at least somewhat comparable to the broader industry for the rest of this year?

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Well, I don't like to make quarter-by-quarter projections like that, but yes, I definitely consider it substandard when we're not able to grow. For most of our history, we grew so much faster than the industry, and I consider it substandard when we are growing like this.

In fact, to the point that we're-- I'm toying with the idea of saying, look, we can just fix growth. We can fix growth to be whatever we want it to be, but then the bottom line suffers. And I'm at least toying with the idea of how much, or different scenarios which say, let's just fix the growth to be some acceptable number, say X, and then let's model out really how much of a pain-- how much pain we've taken in the bottom line at X and just living with it.

Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

**Dan Kurnos** - *The Benchmark Company - Analyst*

Okay. The direct side in the quarter was pretty significant drop off. Obviously you had your toughest comparison of the year. Was it really more of a business decision not to chase that revenue, or was it just a function of the environment?

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Well, it's definitely there's a business decision not to chase that revenue that's definitely taking place. But it's also the environment has been-- the environment, if you mean Macy's and people like that, has been cost-- has been a tough one.

**Dan Kurnos** - *The Benchmark Company - Analyst*

Okay, that's helpful. On the-- moving down to the sort of the gross margin side, I know that you kind of, you guys mentioned the pricing initiatives and that you kind of overspent on the gross margins. I was just wondering if you had a little more color there. I mean it was a pretty significant drop off from the first quarter especially, and we had talked about keeping gross margins at a sort of elevated level. Is there any particular reason to see such a sharp decline there?

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

We're still learning our and getting our elasticity models tuned in. And so we-- they are not as tuned in as we hoped they would be at this point, so we're still having to have a fair bit of variability as we figure some things out. Although ultimately, the margin concerns me less than the contribution margin.

**Dan Kurnos** - *The Benchmark Company - Analyst*

Right. And then moving past sort of to your total operating expenses, they were actually a little bit less than I was looking for as a percentage of revenue. You guys sort of clamped down there a little bit. And you just talked about toying with the notion of maybe giving a little bit of sacrifice here to see if you can drive top line. Is there any reason for us to think that the second half of the year should accelerate significantly from sort of the trends we've seen through the first two quarters, or is this trend just going to continue throughout the rest of the year?

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Certainly not on the non-tech side of G&A. Steve Chesnut, why don't you comment on overall?

**Steve Chesnut** - *Overstock.com Inc. - SVP, Finance and Risk Management*

Yes. I think the trends that you're seeing in the expense structure are what is going to carry it through the back half of the year. I don't see big departures from recent trends.

**Dan Kurnos** - *The Benchmark Company - Analyst*

Great. That's very helpful. And Patrick, you brought up the debt that's coming due at the end of this year. I know that you guys paid down some debt in the first quarter. You have the cash on the balance sheet, so I might as well ask the question in terms of priority uses of cash for you guys. Are you looking to pay that down? Is there a possibility of a share repurchase program? What are your thoughts on use of this cash here?

Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

I wouldn't-- first priority, unlike some organizations in this country, our first priority is, yes, we pay our debts, we pay our interest, we pay our debt. We will always shift resources. We do whatever we have to do to not default. And so we won't default, and so I'm comfortable with that. Steve Chesnut, you want to add on?

**Jonathan Johnson** - *Overstock.com Inc. - President*

Patrick, this is Jonathan. You were just commenting on our senior notes. I don't foresee those being an issue at all. They come due December 1, and we have a plan to pay them off. Steve?

**Steve Chesnut** - *Overstock.com Inc. - SVP, Finance and Risk Management*

Yes, I think that's-- and I think we're going to stay very conservative on cash management as we go through the back half of the year.

**Dan Kurnos** - *The Benchmark Company - Analyst*

Okay. And then just two quick things on any updates you can give us on the impending litigation? And then sort of a broader question, just sort of your thoughts on how the O.co expansion is going so far and any future plans you might have. Thanks very much.

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Thank you. I'll say on the O.co expansion then toss is to you, JJ, on litigation. On the O.co expansion, a surprising number, depending on how you measure the share of mind, somewhere between 20% and 50% of our customers have made the shift to O.co instead of Overstock.com, again, depending on how you measure it. So we're encouraged by that. And in fact, we've been stepping up the speed at which we make that transition. Although that may also induce some drag with the customers who have not made the shift. It's not out of the question that that creates some drag with them.

On-- so then I'll toss it to you, Jonathan. You can explore that comment further or talk about litigation.

**Jonathan Johnson** - *Overstock.com Inc. - President*

I think first on the rebranding, there may be some drag, but I think it's going well. And the articles that we see, the press out there we see on the new name and the customer acceptance, I'm pleased with how that's working, and I think it's the right thing for the organization.

On the litigation, there should be some significant news next week. We had a hearing yesterday in San Francisco on whether the court would allow our racketeering claim against Goldman Sachs and Merrill Lynch to continue. The judge took it under advisement and is issuing an opinion on-- said he would issue an opinion Monday afternoon.

He also heard whether that racketeering claim, which has been filed under seal, meaning it can't be seen by the public, will be allowed to be publicized. Both the Rolling Stone and the Economist magazine have filed motions with the court to see our racketeering claim. And so Monday afternoon, the judge will decide on both of those.

Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

Regardless of the result, we have a claim that is going forward under California law. Trial continues to be scheduled for the 5th of December. And we like what we're finding and we like our case.

---

**Dan Kurnos** - *The Benchmark Company - Analyst*

All right, great. Thanks very much, guys.

---

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Thank you very much. I'll add to that that it's a matter of-- it's interesting to me that while the mainstream media sits on its hands, you have one end of the spectrum, the Rolling Stone, and at the other end of the spectrum, the Economist, joining up to do-- how do you describe it, Jonathan? I don't want to get a word wrong.

---

**Jonathan Johnson** - *Overstock.com Inc. - President*

They've asked-- Goldman Sachs and Merrill Lynch have filed what's called a motion to seal to keep our racketeering claim out of the public eyes. And those publications have filed an opposition to that motion to seal.

---

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Okay. Are there any more questions?

---

**Operator**

Your final question comes from the line of Nat Schindler with Bank of America.

---

**Nat Schindler** - *Bank of America/Merrill Lynch - Analyst*

Hi, guys. I was just wondering if you could help us out on the kind of non-tech related expenses in the quarter, and what percent and kind of how much of those are-- because it seems that every quarter there's something in legal that is happening and it changes so much quarter to quarter. It gets very hard to track. So could you help us on legal? Any payment-- any extraordinary payments in this quarter, or is it all just kind of, this is a steady state level of spend?

---

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Our legal bills are definitely running high. Taking on Goldman and Merrill is an expensive proposition. They've gone up from the second quarter significantly from the second quarter last year. And so we-- and they are quite steep, but we think it's worth it and the right thing to do. Jonathan, do you want to take the ball?

---

**Jonathan Johnson** - *Overstock.com Inc. - President*

I would say always the last months before trial, when you're finishing discovery and going-- we anticipate we'll be going through some summary judgment motions and then going into trial, expenses ramp up. But we feel, the Management team and the board, that the candle is worth the game.

Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

**Nat Schindler** - Bank of America/Merrill Lynch - Analyst

Okay. And anything on any other particular legal issues going on right now, or is it just basically the spend that's related to the prime broker suit?

**Jonathan Johnson** - Overstock.com Inc. - President

We do have a trial coming up in October out in Texas. It's a patent troll trial, and there have been some increased expenses as we get ready for trial on that, too.

**Nat Schindler** - Bank of America/Merrill Lynch - Analyst

Okay. And looking at what happened to gross margin this time, you did a pretty significant, it looks like a pullback in pricing to drive revenue, and it didn't really flow through. Is it-- while at the same time you've kept marketing spend as a percentage of revenue relatively constant for a while.

Are you just not getting the message out there that your-- when you do a significant pricing pullback and your pricing initiative? And in which case do you have to start going back to the marketing line to push the brand and push for new customers to see the pricing, or is just simply that the pricing change was not significant enough to spur conversions?

**Patrick Byrne** - Overstock.com, Inc. - Chairman and CEO

I think that you have-- you've hit the nail on the head. I think that the pricing message has not gotten out there as much as it should have. That our prices are really sharp now. It's-- there was period where maybe as we measure it now, we see that they had gotten not as sharp as we would hope some time ago. That still over 50% of the products being lower priced than anywhere else, but not 90%. And now we're back sort of 90% to 100% of our products are priced at or below anywhere else you can find them. And I don't think that message has gotten back out to the public. But we are doing things. Some of them are internal things that sort of improve that visibility, and some of them are making it very much clear in our marketing message.

**Nat Schindler** - Bank of America/Merrill Lynch - Analyst

Okay. And a final question. You bought the O.co branding, and the rebranding is great, but why didn't you buy O.com, too?

**Patrick Byrne** - Overstock.com, Inc. - Chairman and CEO

You can't get o.com.

**Jonathan Johnson** - Overstock.com Inc. - President

The .com group has not released single letters.

**Nat Schindler** - Bank of America/Merrill Lynch - Analyst

Okay, now I remember that. Understand. Thanks.



Jul. 28. 2011 / 3:30PM, OSTK - Q2 2011 Overstock Com Inc Earnings Conference Call

**Jonathan Johnson** - *Overstock.com Inc. - President*

I will note that over the last quarter, Google has bought G.co, Amazon A.co, and there have been other significant .co purchases. Shortest URL in the business.

**Nat Schindler** - *Bank of America/Merrill Lynch - Analyst*

Okay, thank you.

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Thank you, Nat.

**Operator**

There are no further questions.

**Patrick Byrne** - *Overstock.com, Inc. - Chairman and CEO*

Okay, shareholders. This was a-- when we have-- we are always honest telling you how we feel about the quarter. And when we have good quarters, we don't pump it or say they're great quarters, and when we have weak quarters, and we don't pump it and say they're good quarters. This was a bad quarter. And we've had some surprising, a couple surprisingly good quarters in the last year, but this was a weak quarter and we know-- we see that we have to fix things, and we think we see what needs to be fixed and we're all over it.

Thank you very much. Look forward to talking to everybody in 3 months.

**Jonathan Johnson** - *Overstock.com Inc. - President*

Thanks.

**Operator**

This will conclude today's conference. You may now disconnect your line.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2011, Thomson Reuters. All Rights Reserved.