

IAC/INTERACTIVECORP  
Form 10-Q  
April 30, 2010

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As filed with the Securities and Exchange Commission on April 30, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended March 31, 2010**

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to  
Commission File No. 0-20570**

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**IAC/INTERACTIVECORP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**59-2712887**  
(I.R.S. Employer  
Identification No.)

**555 West 18<sup>th</sup> Street, New York, New York 10011**  
(Address of registrant's principal executive offices)

**(212) 314-7300**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 23, 2010, the following shares of the registrant's common stock were outstanding:

Common Stock	98,086,199
Class B Common Stock	12,799,999
<b>Total outstanding Common Stock</b>	<b>110,886,198</b>

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of April 23, 2010 was \$2,197,493,553. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements****IAC/INTERACTIVECORP AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

	<b>March 31, 2010</b>		<b>December 31, 2009</b>
	<b>(unaudited)</b>		<b>(audited)</b>
	<b>(In thousands, except share data)</b>		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 952,272	\$	1,245,997
Marketable securities	575,132		487,591
Accounts receivable, net of allowance of \$10,954 and \$11,283, respectively	109,422		101,834
Other current assets	164,172		164,627
Total current assets	1,800,998		2,000,049
Property and equipment, net	291,429		297,412
Goodwill	1,010,086		999,355
Intangible assets, net	257,589		261,172
Long-term investments	244,868		272,930
Other non-current assets	165,544		184,971
<b>TOTAL ASSETS</b>	<b>\$ 3,770,514</b>	<b>\$</b>	<b>4,015,889</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable, trade	\$ 58,318	\$	39,173
Deferred revenue	64,594		57,822
Accrued expenses and other current liabilities	185,537		193,282
Total current liabilities	308,449		290,277
Long-term debt	95,844		95,844
Income taxes payable	457,608		450,129
Other long-term liabilities	23,649		23,633
Redeemable noncontrolling interests	22,172		28,180
Commitments and contingencies			
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 223,605,675 and 222,657,925 shares, respectively, and outstanding 98,024,204 and 108,131,736 shares, respectively	224		223
Class B convertible common stock \$.001 par value; authorized 400,000,000 shares; issued 16,157,499 shares and outstanding 12,799,999 shares	16		16
Additional paid-in capital	11,332,007		11,322,993

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Accumulated deficit	(770,082)	(751,377)
Accumulated other comprehensive income	14,621	24,503
Treasury stock 125,581,471 and 114,526,189 shares, respectively	(7,713,994)	(7,468,532)
<b>Total shareholders' equity</b>	<b>2,862,792</b>	<b>3,127,826</b>

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**      \$    3,770,514    \$      4,015,889

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except per share data)</b>	
Revenue	\$ 385,926	\$ 332,010
Costs and expenses:		
Cost of revenue (exclusive of depreciation shown separately below)	136,155	112,922
Selling and marketing expense	131,152	132,900
General and administrative expense	77,231	73,634
Product development expense	16,617	18,088
Depreciation	17,895	16,214
Amortization of intangibles	3,349	8,015
Amortization of non-cash marketing		2,305
Goodwill impairment		1,056
<b>Total costs and expenses</b>	<b>382,399</b>	<b>365,134</b>
Operating income (loss)	3,527	(33,124)
Other income (expense):		
Interest income	1,635	3,728
Interest expense	(1,323)	(1,464)
Equity in losses of unconsolidated affiliates	(22,613)	(1,847)
Gain on sale of investment	3,989	
Other income	931	146
<b>Total other (expense) income, net</b>	<b>(17,381)</b>	<b>563</b>
Loss from continuing operations before income taxes	(13,854)	(32,561)
Income tax (provision) benefit	(4,009)	2,679
<b>Loss from continuing operations</b>	<b>(17,863)</b>	<b>(29,882)</b>
(Loss) earnings from discontinued operations, net of tax	(1,461)	1,238
<b>Net loss</b>	<b>(19,324)</b>	<b>(28,644)</b>
Net loss attributable to noncontrolling interests	619	258
<b>Net loss attributable to IAC shareholders</b>	<b>\$ (18,705)</b>	<b>\$ (28,386)</b>
<b>Per share information attributable to IAC shareholders:</b>		
Basic loss per share from continuing operations	\$ (0.15)	\$ (0.20)
Diluted loss per share from continuing operations	\$ (0.15)	\$ (0.20)
Basic loss per share	\$ (0.16)	\$ (0.19)
Diluted loss per share	\$ (0.16)	\$ (0.19)
<b>Non-cash compensation expense by function:</b>		
Cost of revenue	\$ 941	\$ 824
Selling and marketing expense	983	954
General and administrative expense	18,928	15,444
Product development expense	1,478	1,358
<b>Total non-cash compensation expense</b>	<b>\$ 22,330</b>	<b>\$ 18,580</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

Three Months Ended  
March 31,  
2010                  2009  
(In thousands)

	2010	2009
<b>Cash flows from operating activities attributable to continuing operations:</b>		
Net loss	\$ (19,324)	\$ (28,644)
Less: loss (earnings) from discontinued operations, net of tax	1,461	(1,238)
<b>Loss from continuing operations</b>	<b>(17,863)</b>	<b>(29,882)</b>
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Depreciation	17,895	16,214
Amortization of intangibles	3,349	8,015
Amortization of non-cash marketing		2,305
Goodwill impairment		1,056
Non-cash compensation expense	22,330	18,580
Deferred income taxes	6,649	(3,937)
Equity in losses of unconsolidated affiliates	22,613	1,847
Gain on sale of investment	(3,989)	
Changes in current assets and liabilities:		
Accounts receivable	(9,729)	1,778
Other current assets	(3,034)	1,633
Accounts payable and other current liabilities	2,966	19,122
Income taxes payable	5,028	2,518
Deferred revenue	7,921	6,751
Other, net	2,277	2,699
<b>Net cash provided by operating activities attributable to continuing operations</b>	<b>56,413</b>	<b>48,699</b>
<b>Cash flows from investing activities attributable to continuing operations:</b>		
Acquisitions, net of cash acquired	(9,759)	(11,537)
Capital expenditures	(12,575)	(8,580)
Proceeds from sales and maturities of marketable debt securities	195,665	26,386
Purchases of marketable debt securities	(284,933)	(118,033)
Proceeds from sale of investment	5,325	
Purchases of long-term investments	(213)	(1,211)
Other, net	(2,371)	(8,402)
<b>Net cash used in investing activities attributable to continuing operations</b>	<b>(108,861)</b>	<b>(121,377)</b>
<b>Cash flows from financing activities attributable to continuing operations:</b>		
Purchase of treasury stock	(246,154)	(29,176)
Issuance of common stock, net of withholding taxes	2,471	148,778
Excess tax benefits from stock-based awards	4,800	86
Other, net		1,054
<b>Net cash (used in) provided by financing activities attributable to continuing operations</b>	<b>(238,883)</b>	<b>120,742</b>

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<b>Total cash (used in) provided by continuing operations</b>	(291,331)	48,064
Net cash provided by (used in) operating activities attributable to discontinued operations	834	(527)
Effect of exchange rate changes on cash and cash equivalents	(3,228)	264
<b>Net (decrease) increase in cash and cash equivalents</b>	(293,725)	47,801
Cash and cash equivalents at beginning of period	1,245,997	1,744,994
<b>Cash and cash equivalents at end of period</b>	\$ 952,272	\$ 1,792,795

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements

**IAC/INTERACTIVECORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

IAC is a leading internet company with more than 50 brands serving consumer audiences across more than 30 countries...our mission is to harness the power of interactivity to make daily life easier and more productive for people all over the world. IAC includes the businesses comprising its Search segment; its Match and ServiceMagic segments; the businesses comprising its Media & Other segment; as well as investments in unconsolidated affiliates.

All references to "IAC," the "Company," "we," "our" or "us" in this report are to IAC/InterActiveCorp.

**Basis of Presentation**

The consolidated financial statements include the accounts of the Company, all entities that are wholly-owned by the Company and all entities in which the Company has a controlling financial interest, whether through voting interests or variable interests. The Company's consolidated financial statements include one variable interest entity, in which the Company has a controlling financial interest through voting rights and is also the primary beneficiary. Intercompany transactions and accounts have been eliminated. Investments in entities in which the Company has the ability to exercise significant influence over the operating and financial matters of the investee, but does not own a controlling voting interest, are accounted for using the equity method and are included in "Long-term investments" in the accompanying consolidated balance sheet.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for a full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2009.

**Accounting Estimates**

Management of the Company is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with U.S. GAAP. These estimates and assumptions impact the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates and assumptions used in the preparation of the accompanying consolidated financial statements include those related to: the determination of the fair value of marketable securities; the assessment of marketable securities and long-term investments for other-than-temporary impairment; the carrying value of accounts receivable, including the determination of the allowances for doubtful accounts and other revenue related allowances; the assessment of long-lived assets, definite-lived intangible assets, indefinite-lived intangible assets and goodwill for impairment; income taxes

**IAC/INTERACTIVECORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

payable and deferred income taxes, including related reserves and valuation allowances; and the determination of stock-based compensation.

**Certain Risks and Concentrations**

A significant portion of the Company's revenue is derived from online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or changes in customer buying behavior or advertiser spending behavior, including those changes that may result from the current economic environment, could adversely affect our operating results. A significant component of the Company's revenue is attributable to a paid listing supply agreement with Google Inc. ("Google"), which expires on December 31, 2012. For the three months ended March 31, 2010 and 2009, revenue earned from Google was \$171.5 million and \$129.2 million, respectively. The majority of this revenue is earned by the businesses comprising the Search segment. Accounts receivable related to revenue earned from Google totaled \$62.6 million at March 31, 2010 and \$55.0 million at December 31, 2009.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 2 CONSOLIDATED FINANCIAL STATEMENT DETAILS**

**Property and equipment, net**

Property and equipment, net is comprised of (in thousands):

**March 31,  
2010**