

IAC/INTERACTIVECORP
Form 10-Q
August 06, 2008

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As filed with the Securities and Exchange Commission on August 6, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2008

or

**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

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 18th 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 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 definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting

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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 July 25, 2008, the following shares of the Registrant's common stock were outstanding:

Common Stock, including 200,000 shares of restricted stock	254,215,899
Class B Common Stock	25,599,998
Total outstanding Common Stock	279,815,897

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of July 25, 2008 was \$3,326,543,174. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

PART I FINANCIAL STATEMENTS

Item 1. Consolidated Financial Statements

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007 (Restated)	2008	2007 (Restated)
	(In thousands, except per share data)			
Product sales	\$ 725,877	\$ 703,053	\$ 1,428,675	\$ 1,389,133
Service revenue	869,454	788,982	1,748,273	1,572,607
Net revenue	1,595,331	1,492,035	3,176,948	2,961,740
Cost of sales product sales (exclusive of depreciation shown separately below)	466,307	436,306	925,838	868,221
Cost of sales service revenue (exclusive of depreciation shown separately below)	403,484	342,978	801,469	677,633
Gross profit	725,540	712,751	1,449,641	1,415,886
Selling and marketing expense	321,725	329,586	639,784	641,826
General and administrative expense	226,164	197,827	437,202	392,532
Other operating expense	28,191	27,738	61,964	57,937
Amortization of non-cash marketing	3,617	23,951	10,128	24,458
Amortization of intangibles	142,985	29,696	172,258	59,240
Depreciation	42,845	37,315	84,195	73,800
Goodwill impairment	354,005		354,005	
Operating (loss) income	(393,992)	66,638	(309,895)	166,093
Other income (expense):				
Interest income	8,064	18,534	18,493	37,750
Interest expense	(14,526)	(15,599)	(27,377)	(30,613)
Equity in income of unconsolidated affiliates	4,980	6,636	11,425	14,483
Other (expense) income	(99,068)	6,969	(87,012)	7,650
Total other (expense) income, net	(100,550)	16,540	(84,471)	29,270
(Loss) earnings from continuing operations before income taxes and minority interest	(494,542)	83,178	(394,366)	195,363
Income tax benefit (provision)	49,514	(28,928)	7,516	(71,258)
Minority interest in losses of consolidated subsidiaries	1,367	353	2,262	240
(Loss) earnings from continuing operations	(443,661)	54,603	(384,588)	124,345
Gain on sale of discontinued operations, net of tax	22,547	35,081	22,547	35,081
(Loss) income from discontinued operations, net of tax	(483)	4,919	(6,740)	(4,073)
Net (loss) earnings available to common shareholders	\$ (421,597)	\$ 94,603	\$ (368,781)	\$ 155,353

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(Loss) earnings per share from continuing operations:

Basic (loss) earnings per share	\$	(1.59)	\$	0.19	\$	(1.38)	\$	0.43
Diluted (loss) earnings per share	\$	(1.59)	\$	0.18	\$	(1.38)	\$	0.41

Net (loss) earnings per share available to common shareholders:

Basic (loss) earnings per share	\$	(1.51)	\$	0.33	\$	(1.32)	\$	0.54
Diluted (loss) earnings per share	\$	(1.51)	\$	0.31	\$	(1.32)	\$	0.51

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

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IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (unaudited)	December 31, 2007 (audited)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 1,431,991	\$ 1,585,302
Restricted cash and cash equivalents	9,331	23,701
Marketable securities	143,391	326,788
Accounts receivable, net of allowance of \$30,702 and \$19,845, respectively	427,693	470,894
Loans held for sale	87,310	86,754
Inventories	348,303	324,845
Deferred income taxes	94,704	95,263
Prepaid and other current assets	284,106	512,690
Total current assets	2,826,829	3,426,237
Property and equipment, net	655,695	641,697
Goodwill	6,415,138	6,453,664
Intangible assets, net	1,343,628	1,363,237
Long-term investments	433,845	450,318
Other non-current assets	353,164	255,649
TOTAL ASSETS	\$ 12,028,299	\$ 12,590,802
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current maturities of long-term obligations and short-term borrowings	\$ 77,773	\$ 111,857
Accounts payable, trade	266,254	275,220
Accounts payable, client accounts	478,000	413,070
Deferred revenue	190,073	168,932
Income taxes payable	14,249	19,509
Accrued expenses and other current liabilities	569,924	745,645
Total current liabilities	1,596,273	1,734,233
Long-term obligations, net of current maturities	835,199	834,566
Income taxes payable	263,430	265,962
Other long-term liabilities	177,592	169,490
Deferred income taxes	926,861	962,408
Minority interest	39,445	40,481
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock \$.01 par value; authorized 100,000,000 shares; 758 shares issued and outstanding		
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 418,797,948 and 417,077,599 shares, respectively, and outstanding 253,983,184 and 258,262,835 shares, respectively, including 200,000 shares of restricted stock	419	417
Class B convertible common stock \$.001 par value; authorized 400,000,000 shares; issued 32,314,998 shares and outstanding 25,599,998 shares	32	32
Additional paid-in capital	14,807,363	14,744,318
Retained earnings	199,039	567,820
Accumulated other comprehensive income	96,975	39,814
Treasury stock 164,814,764 and 158,814,764 shares, respectively	(6,914,329)	(6,768,739)

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Total shareholders' equity	8,189,499	8,583,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,028,299	\$ 12,590,802

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

IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

	Total	Preferred Stock \$.01 Par Value		Common Stock \$.001 Par Value		Class B Convertible Common Stock \$.001 Par Value		Additional Paid-in Capital	Retained Earnings	Accum Other Comp. Income	Treasury Stock
		\$	Shares	\$	Shares	\$	Shares				
(In thousands)											
Balance as of December 31, 2007	\$ 8,583,662	\$	1 \$417	417,077	\$32	32,315	\$14,744,318	\$ 567,820	\$39,814	\$(6,768,739)	
Comprehensive loss:											
Net loss for the six months ended June 30, 2008	(368,781)							(368,781)			
Foreign currency translation	11,908								11,908		
Unrealized losses on available-for-sale securities	(805)									(805)	
Unrealized losses recognized into earnings in connection with the impairment of available-for-sale securities	46,058									46,058	
Comprehensive loss	(311,620)										
Non-cash compensation expense	59,695							59,695			
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of withholding taxes	(4,312)		1	1,258							