

Dealertrack Technologies, Inc
Form 10-Q
May 09, 2013

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 March 31, 2013

OR

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

Commission File Number 000-51653

Dealertrack Technologies, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

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

52-2336218

(I.R.S. Employer Identification Number)

1111 Marcus Ave., Suite M04

Lake Success, NY 11042

(Address of principal executive offices, including zip code)

(516) 734-3600

(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 has submitted electronically and posted on its corporate Website, 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:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(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 30, 2013, 43,489,142 shares of the registrant's common stock were outstanding.

DEALERTRACK TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****DEALERTRACK TECHNOLOGIES, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 31, 2013	December 31, 2012
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 131,577	\$ 143,811
Marketable securities	39,284	34,031
Customer funds	3,540	1,999
Customer funds receivable	22,613	14,077
Accounts receivable, net of allowances of \$4,540 and \$4,558 as of March 31, 2013 and December 31, 2012, respectively	48,225	43,679
Deferred tax assets, net	4,412	4,412
Prepaid expenses and other current assets	24,439	19,142
Total current assets	274,090	261,151
Marketable securities – long-term	4,383	4,428
Property and equipment, net	27,523	27,407
Investments	122,927	122,808
Software and website developments costs, net	48,892	46,182
Intangible assets, net	110,193	117,599
Goodwill	270,062	270,646
Deferred tax assets, net	44,316	43,611
Other assets — long-term	14,790	16,684
Total assets	\$917,176	\$ 910,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 10,008	\$ 18,834
Accrued compensation and benefits	10,080	15,148
Accrued liabilities — other	19,207	16,870

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Customer funds payable	26,153	16,076
Deferred revenue	7,884	7,959
Deferred tax liabilities	3,088	3,031
Due to acquirees	11,281	11,124
Total current liabilities	87,701	89,042
Deferred tax liabilities	76,879	77,368
Deferred revenue	5,568	5,525
Senior convertible notes, net	164,228	162,279
Other liabilities	3,467	4,985
Total long-term liabilities	250,142	250,157
Total liabilities	337,843	339,199
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized and no shares issued and outstanding as of March 31, 2013 and December 31, 2012	—	—
Common stock, \$0.01 par value; 175,000,000 shares authorized; 46,632,019 shares issued and 43,482,525 shares outstanding as of March 31, 2013; and 45,998,679 shares issued and 42,870,061 shares outstanding as of December 31, 2012	466	460
Treasury stock, at cost; 3,149,494 shares and 3,128,618 shares as of March 31, 2013 and December 31, 2012, respectively	(53,076)	(52,398)
Additional paid-in capital	551,878	541,948
Accumulated other comprehensive income	6,419	7,627
Retained earnings	73,646	73,680
Total stockholders' equity	579,333	571,317
Total liabilities and stockholders' equity	\$917,176	\$ 910,516

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK TECHNOLOGIES, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Revenue:		
Net revenue	\$ 109,059	\$ 91,617
Operating expenses:		
Cost of revenue	63,188	53,150
Product development	3,630	2,994
Selling, general and administrative	41,490	34,128
Total operating expenses	108,308	90,272
Income from operations	751	1,345
Interest income	124	230
Interest expense	(3,364)	(1,157)
Other income, net	66	76
Gain on disposal of subsidiary	—	27,693
Earnings from equity method investment, net	1,219	163
(Loss) income before benefit from (provision for) income taxes, net	(1,204)	28,350
Benefit from (provision for) income taxes, net	1,170	(11,389)
Net (loss) income	\$(34)	\$ 16,961
Basic net (loss) income per share	\$(0.00)	\$ 0.40
Diluted net (loss) income per share	\$(0.00)	\$ 0.39
Weighted average common stock outstanding (basic)	43,173	42,091
Weighted average common stock outstanding (diluted)	43,173	43,720

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31, 2013 2012 (In thousands)	
Net (loss) income	\$ (34) \$ 16,961	
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustments	(1,320)	980
Net change in unrealized gains on securities	112	33
Other comprehensive (loss) income, net of tax	(1,208)	1,013
Total comprehensive (loss) income	\$(1,242) \$ 17,974	

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months	
	Ended March 31,	
	2013	2012
	(In thousands)	
Operating activities:		
Net (loss) income	\$(34)	\$16,961
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,897	11,979
Deferred tax (benefit) provision	(1,158)	10,893
Stock-based compensation expense	3,271	3,330
Provision for doubtful accounts and sales credits	1,682	2,146
Earnings from equity method investment, net	(1,219)	(163)
Deferred compensation	38	38
Stock-based compensation windfall tax benefit	(3,587)	(2,943)
Amortization of deferred interest	279	26
Amortization of debt issuance costs and debt discount	2,302	703
Change in contingent consideration	(500)	(250)
Gain on sale of marketable securities	(11)	—
Gain on disposal of subsidiary	—	(27,693)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(6,339)	(6,742)
Prepaid expenses and other current assets	(2,186)	3,059
Other assets — long-term	3,166	1,539
Accounts payable and accrued expenses	(13,518)	(11,441)
Deferred rent	51	48
Deferred revenue	(60)	527
Other liabilities — long-term	(1,074)	(1,166)
Net cash (used in) provided by operating activities	(5,000)	851
Investing activities:		
Capital expenditures	(2,027)	(1,695)
Capitalized software and website development costs	(5,296)	(3,665)
Purchases of marketable securities	(18,037)	—
Proceeds from sales and maturities of marketable securities	12,539	—
Cash contributed for equity method investment	—	(1,750)
Net cash used in investing activities	(12,821)	(7,110)
Financing activities:		
Principal payments on capital lease obligations and financings arrangements	(38)	