

IAC/INTERACTIVECORP
Form 10-Q
July 31, 2015

As filed with the Securities and Exchange Commission on July 31, 2015

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, 2015

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)

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)

59-2712887

(I.R.S. Employer

Identification No.)

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 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.

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting company) 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 July 24, 2015, the following shares of the registrant's common stock were outstanding:

Common Stock 77,130,396
Class B Common Stock 5,789,499

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Total outstanding Common Stock 82,919,895

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of July 24, 2015 was \$6,259,982,574. 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

CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2015	December 31, 2014
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$656,409	\$990,405
Marketable securities	233,523	160,648
Accounts receivable, net of allowance of \$15,730 and \$12,437, respectively	223,106	236,086
Other current assets	209,724	166,742
Total current assets	1,322,762	1,553,881
Property and equipment, net of accumulated depreciation and amortization of \$294,400 and \$279,534, respectively	297,158	302,459
Goodwill	1,778,830	1,754,926
Intangible assets, net of accumulated amortization of \$116,626 and \$98,937, respectively	472,082	491,936
Long-term investments	131,385	114,983
Other non-current assets	72,841	56,693
TOTAL ASSETS	\$4,075,058	\$4,274,878
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	\$80,000	\$—
Accounts payable, trade	79,434	81,163
Deferred revenue	232,673	194,988
Accrued expenses and other current liabilities	322,750	397,803
Total current liabilities	714,857	673,954
Long-term debt, net of current portion	1,000,000	1,080,000
Income taxes payable	24,768	32,635
Deferred income taxes	432,688	409,529
Other long-term liabilities	59,182	45,191
Redeemable noncontrolling interests	28,177	40,427
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 253,641,102 and 252,170,058 shares, respectively and outstanding 76,871,835 and 78,356,057 shares, respectively	254	252
Class B convertible common stock \$.001 par value; authorized 400,000,000 shares; issued 16,157,499 shares and outstanding 5,789,499 shares	16	16
Additional paid-in capital	11,452,662	11,415,617

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Retained earnings	354,099	325,118
Accumulated other comprehensive loss	(130,295) (87,700
Treasury stock 187,137,267 and 184,182,001 shares, respectively	(9,861,350	) (9,661,350
Total IAC shareholders' equity	1,815,386	1,991,953
Noncontrolling interests	—	1,189
Total shareholders' equity	1,815,386	1,993,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$4,075,058	\$4,274,878

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

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IAC/INTERACTIVECORP
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Revenue	\$771,132	\$756,315	\$1,543,644	\$1,496,562
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	183,276	210,730	374,829	419,964
Selling and marketing expense	319,397	272,490	677,063	571,089
General and administrative expense	129,349	109,897	244,143	204,986
Product development expense	46,430	38,845	91,687	77,661
Depreciation	15,500	15,257	31,068	30,075
Amortization of intangibles	14,411	13,406	26,966	25,385
Total operating costs and expenses	708,363	660,625	1,445,756	1,329,160
Operating income	62,769	95,690	97,888	167,402
Interest expense	(15,214)	) (14,046)	) (29,278)	) (28,110)
Other (expense) income, net	(1,638)	) (69,750)	) 5,350	) (71,708)
Earnings from continuing operations before income taxes	45,917	11,894	73,960	67,584
Income tax benefit (provision)	11,968	(29,889)	) 5,788	(51,274)
Earnings (loss) from continuing operations	57,885	(17,995)	) 79,748	16,310
Loss from discontinued operations, net of tax	(153)	) (868)	) (28)	) (1,682)
Net earnings (loss)	57,732	(18,863)	) 79,720	14,628
Net loss attributable to noncontrolling interests	1,573	867	5,990	3,261
Net earnings (loss) attributable to IAC shareholders	\$59,305	\$(17,996)	) \$85,710	\$17,889
Per share information attributable to IAC shareholders:				
Basic earnings (loss) per share from continuing operations	\$0.72	\$(0.21)	) \$1.03	\$0.24
Diluted earnings (loss) per share from continuing operations	\$0.68	\$(0.21)	) \$0.98	\$0.22
Basic earnings (loss) per share	\$0.72	\$(0.22)	) \$1.03	\$0.22
Diluted earnings (loss) per share	\$0.68	\$(0.22)	) \$0.97	\$0.20
Dividends declared per share	\$0.34	\$0.24	\$0.68	\$0.48
Stock-based compensation expense by function:				
Cost of revenue	\$294	\$459	\$539	\$451
Selling and marketing expense	3,119	657	4,842	853
General and administrative expense	20,039	13,707	34,637	21,659
Product development expense	2,497	1,729	4,842	3,202
Total stock-based compensation expense	\$25,949	\$16,552	\$44,860	\$26,165

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

IAC/INTERACTIVECORP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net earnings (loss)	\$57,732	\$(18,863)	) \$79,720	\$14,628
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment	8,613	(187)	) (48,001)	) 5,190
Change in unrealized gains and losses of available-for-sale securities (net of tax benefits of \$126 and \$182 for the three and six months ended June 30, 2015, respectively, and net of tax benefits of \$865 and \$1,438 for the three and six months ended June 30, 2014, respectively)	3,615	(2,139)	) 4,249	(2,250)
Total other comprehensive income (loss), net of tax	12,228	(2,326)	) (43,752)	) 2,940
Comprehensive income (loss)	69,960	(21,189)	) 35,968	17,568
Comprehensive loss attributable to noncontrolling interests	2,323	984	7,147	3,461
Comprehensive income (loss) attributable to IAC shareholders	\$72,283	\$(20,205)	) \$43,115	\$21,029

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

IAC/INTERACTIVECORP
 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
 (Unaudited)

	Redeemable Noncontrolling Interests	IAC Shareholders' Equity		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total IAC Shareholders' Equity	Noncontrolling Interests	Total Share Equity		
		Common Stock \$.001 Par Value Shares	Class B Convertible Common Stock \$.001 Par Value Shares									
Balance as of December 31, 2014	\$40,427	\$252	252,170	\$16	16,157	\$11,415,617	\$325,118	\$(87,700)	\$(9,661,350)	\$1,991,953	\$1,189	\$1,993,142
Net (loss) earnings for the six months ended June 30, 2015	(5,990)	—	—									