

LendingTree, Inc.  
Form 10-Q  
October 28, 2016  
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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 September 30, 2016

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. 001-34063

LendingTree, Inc.  
(Exact name of Registrant as specified in its charter)  
Delaware 26-2414818  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
11115 Rushmore Drive, Charlotte, North Carolina 28277  
(Address of principal executive offices)  
(704) 541-5351  
(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 x

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 ✓

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As of October 24, 2016, there were 11,789,606 shares of the Registrant's common stock, par value \$.01 per share, outstanding, excluding treasury shares.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## LENDINGTREE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Revenue	\$94,558	\$69,804	\$283,561	\$175,875
Costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	3,392	2,436	10,329	6,402
Selling and marketing expense	62,819	48,901	192,416	118,615
General and administrative expense	9,008	7,069	26,820	21,336
Product development	3,718	2,675	11,384	7,238
Depreciation	1,286	764	3,458	2,135
Amortization of intangibles	166	25	263	124
Restructuring and severance	—	28	72	422
Litigation settlements and contingencies	19	133	109	(663 )
Total costs and expenses	80,408	62,031	244,851	155,609
Operating income	14,150	7,773	38,710	20,266
Other income (expense), net:				
Interest expense	(141 )	(1 )	(424 )	(63 )
Income before income taxes	14,009	7,772	38,286	20,203
Income tax expense	(6,729 )	(389 )	(15,099 )	(968 )
Net income from continuing operations	7,280	7,383	23,187	19,235
Loss from discontinued operations, net of tax	(664 )	(1,295 )	(3,017 )	(3,238 )
Net income and comprehensive income	\$6,616	\$6,088	\$20,170	\$15,997
Weighted average shares outstanding:				
Basic	11,754	11,445	11,827	11,378
Diluted	12,742	12,489	12,782	12,379
Income per share from continuing operations:				
Basic	\$0.62	\$0.65	\$1.96	\$1.69
Diluted	\$0.57	\$0.59	\$1.81	\$1.55
Loss per share from discontinued operations:				
Basic	\$(0.06 )	\$(0.11 )	\$(0.26 )	\$(0.28 )
Diluted	\$(0.05 )	\$(0.10 )	\$(0.24 )	\$(0.26 )
Net income per share:				
Basic	\$0.56	\$0.53	\$1.71	\$1.41
Diluted	\$0.52	\$0.49	\$1.58	\$1.29

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



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LENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2016	December 31, 2015
	(in thousands, except par value and share amounts)	
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 176,925	\$ 206,975
Restricted cash and cash equivalents	4,091	6,541
Accounts receivable (net of allowance of \$1,026 and \$606, respectively)	38,185	29,873
Prepaid and other current assets	3,925	2,085
Current assets of discontinued operations	—	110
Total current assets	223,126	245,584
Property and equipment, net	13,399	9,415
Goodwill	4,007	3,632
Intangible assets, net	15,229	10,992
Deferred income tax assets	16,341	20,977
Other non-current assets	855	1,039
Non-current assets of discontinued operations	4,142	4,142
Total assets	\$277,099	\$ 295,781
<b>LIABILITIES:</b>		
Accounts payable, trade	\$2,815	\$ 5,741
Accrued expenses and other current liabilities	37,719	34,885
Current liabilities of discontinued operations (Note 14)	11,978	13,401
Total current liabilities	52,512	54,027
Other non-current liabilities	1,753	586
Non-current liabilities of discontinued operations	27	26
Total liabilities	54,292	54,639
Commitments and contingencies (Note 12)		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock \$.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock \$.01 par value; 50,000,000 shares authorized; 13,953,351 and 13,865,620 shares issued, respectively, and 11,789,606 and 12,392,093 shares outstanding, respectively	140	139
Additional paid-in capital	1,016,706	1,006,688
Accumulated deficit	(729,954)	(750,124)
Treasury stock 2,163,745 and 1,473,527 shares, respectively	(64,085)	(15,561)
Total shareholders' equity	222,807	241,142
Total liabilities and shareholders' equity	\$277,099	\$ 295,781

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

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LENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
(Unaudited)

	Total	Common Stock			Accumulated Deficit	Treasury Stock	
		Number of Shares	Amount	Additional Paid-in Capital		Number of Shares	Amount
	(in thousands)						
Balance as of December 31, 2015	\$241,142	13,866	\$ 139	\$ 1,006,688	\$(750,124 )	1,474	\$(15,561)
Net income and comprehensive income	20,170	—	—	—	20,170	—	—
Non-cash compensation	7,410	—	—	7,410	—	—	—
Purchase of treasury stock	(48,524 )	—	—	—	—	690	(48,524 )
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	(3,092 )	87	1	(3,093 )	—	—	—
Tax benefit from stock-based award activity	5,701	—	—	5,701	—	—	—
Balance as of September 30, 2016	\$222,807	13,953	\$ 140	\$ 1,016,706	\$(729,954 )	2,164	\$(64,085)

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

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LENDINGTREE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net income and comprehensive income	\$20,170	\$15,997
Less: Loss from discontinued operations, net of tax	3,017	3,238
Income from continuing operations	23,187	19,235
Adjustments to reconcile income from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Loss on disposal of fixed assets	388	102
Amortization of intangibles	263	124
Depreciation	3,458	2,135
Non-cash compensation expense	7,410	6,371
Deferred income taxes	333	—
Excess tax benefit from stock-based award activity	(5,701)	(485)
Bad debt expense	378	236
Amortization of debt issuance costs	183	—
Changes in current assets and liabilities:		
Accounts receivable	(8,565)	(11,805)
Prepaid and other current assets	(2,051)	(756)
Accounts payable, accrued expenses and other current liabilities	(5)	15,272
Income taxes payable	13,261	460
Other, net	645	207
Net cash provided by operating activities attributable to continuing operations	33,184	31,096
Cash flows from investing activities attributable to continuing operations:		