

IAC/INTERACTIVECORP
Form 10-Q
October 29, 2010

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As filed with the Securities and Exchange Commission on October 29, 2010

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, 2010

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

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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 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 October 22, 2010, the following shares of the registrant's common stock were outstanding:

Common Stock	87,582,242
Class B Common Stock	12,799,999
Total outstanding Common Stock	100,382,241

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of October 22, 2010 was \$2,160,316,388. 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 INFORMATION

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

	September 30, 2010	December 31, 2009
	(unaudited)	(audited)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 902,214	\$ 1,245,997
Marketable securities	471,215	487,591
Accounts receivable, net of allowance of \$11,004 and \$11,283, respectively	113,251	101,834
Other current assets	144,898	164,627
 Total current assets	 1,631,578	 2,000,049
Property and equipment, net	282,143	297,412
Goodwill	1,047,139	999,355
Intangible assets, net	262,221	261,172
Long-term investments	209,890	272,930
Other non-current assets	179,227	184,971
 TOTAL ASSETS	 \$ 3,612,198	 \$ 4,015,889
 LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	\$ 43,292	\$ 39,173
Deferred revenue	72,694	57,822
Accrued expenses and other current liabilities	202,051	193,282
 Total current liabilities	 318,037	 290,277
Long-term debt	95,844	95,844
Income taxes payable	467,130	450,129
Other long-term liabilities	19,302	23,633
Redeemable noncontrolling interests	60,192	28,180
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 225,183,876 and 222,657,925 shares, respectively, and outstanding 87,558,245 and 108,131,736 shares, respectively	225	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	11,381,922	11,322,993
Accumulated deficit	(738,982)	(751,377)

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Accumulated other comprehensive income	7,929	24,503
Treasury stock 137,625,631 and 114,526,189 shares, respectively	(7,999,417)	(7,468,532)
Total shareholders' equity	2,651,693	3,127,826
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,612,198	\$ 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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands, except per share data)			
Revenue	\$ 421,652	\$ 336,577	\$ 1,210,436	\$ 1,008,632
Costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	148,558	106,029	422,704	323,462
Selling and marketing expense	123,347	107,603	379,153	360,121
General and administrative expense	78,327	72,314	236,387	218,802
Product development expense	17,812	12,972	47,974	45,092
Depreciation	15,364	15,289	50,608	48,380
Amortization of intangibles	2,310	10,250	10,423	26,311
Amortization of non-cash marketing		4,999		7,504
Goodwill impairment				1,056
Total costs and expenses	385,718	329,456	1,147,249	1,030,728
Operating income (loss)	35,934	7,121	63,187	(22,096)
Other income (expense):				
Interest income	1,550	2,374	4,851	8,546
Interest expense	(1,321)	(1,345)	(3,967)	(4,070)
Equity in losses of unconsolidated affiliates	(547)	(3,961)	(27,162)	(7,973)
Other income, net	586	53,892	5,259	115,849
Total other income (expense), net	268	50,960	(21,019)	112,352
Earnings from continuing operations before income taxes	36,202	58,081	42,168	90,256
Income tax provision	(14,820)	(34,269)	(23,785)	(53,733)
Earnings from continuing operations	21,382	23,812	18,383	36,523
Loss from discontinued operations, net of tax	(3,737)	(2,514)	(7,227)	(3,472)
Net earnings	17,645	21,298	11,156	33,051
Net (earnings) loss attributable to noncontrolling interests	(136)	384	1,239	1,058
Net earnings attributable to IAC shareholders	\$ 17,509	\$ 21,682	\$ 12,395	\$ 34,109
Per share information attributable to IAC shareholders:				
Basic earnings per share from continuing operations	\$ 0.21	\$ 0.18	\$ 0.18	\$ 0.26
Diluted earnings per share from continuing operations	\$ 0.20	\$ 0.18	\$ 0.17	\$ 0.26
Basic earnings per share	\$ 0.17	\$ 0.16	\$ 0.11	\$ 0.24
Diluted earnings per share	\$ 0.16	\$ 0.16	\$ 0.11	\$ 0.24
Non-cash compensation expense by function:				
Cost of revenue	\$ 1,113	\$ 819	\$ 3,065	\$ 2,148
Selling and marketing expense	889	733	2,843	2,270
General and administrative expense	13,903	13,694	50,782	40,882
Product development expense	1,427	1,269	4,295	3,387
Total non-cash compensation expense	\$ 17,332	\$ 16,515	\$ 60,985	\$ 48,687

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

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2010	2009
(In thousands)		
Cash flows from operating activities attributable to continuing operations:		
Net earnings	\$ 11,156	\$ 33,051
Less: from discontinued operations, net of tax	7,227	3,472
Earnings from continuing operations	18,383	36,523
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Depreciation	50,608	48,380
Amortization of intangibles	10,423	26,311
Amortization of non-cash marketing		7,504
Goodwill impairment		1,056
Impairment of long-term investment		4,785
Non-cash compensation expense	60,985	48,687
Deferred income taxes	6,987	83,278
Equity in losses of unconsolidated affiliates	27,162	7,973
Gain on sale of Match Europe		(132,244)
Gain on sales of investments	(3,989)	(25,570)
Decrease in the fair value of the derivative asset related to Arcandor AG stock		38,204
Changes in current assets and liabilities:		
Accounts receivable	(15,809)	(2,045)
Other current assets	1,451	(2,614)
Accounts payable and other current liabilities	8,007	(1,077)
Income taxes payable	17,678	(13,820)
Deferred revenue	15,628	9,677
Other, net	8,048	11,300
Net cash provided by operating activities attributable to continuing operations	205,562	146,308
Cash flows from investing activities attributable to continuing operations:		
Acquisitions, net of cash acquired	(17,334)	(85,534)
Capital expenditures	(34,042)	(28,854)
Proceeds from sales and maturities of marketable debt securities	607,127	150,257
Purchases of marketable debt securities	(600,993)	(367,573)
Proceeds from sales of investments	5,325	58,123
Purchases of long-term investments	(1,630)	(2,982)
Dividend received from Meetic, an equity method investee	11,355	
Receivable created in the sale of Match Europe		(6,829)
Other, net	(127)	(7,873)
Net cash used in investing activities attributable to continuing operations	(30,319)	