MOVE INC
Form 10-Q
August 03, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from _______ to _______

Commission File Number 000-26659

Move, Inc.

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**95-4438337** *(I.R.S. Employer Identification No.)*
910 East Hamilton Avenue **Campbell, California** *(Address of principal executive offices)*	**95008** *(Zip Code)*

(805) 557-2300

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether 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 þ No o

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 þ No o

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 o	Accelerated filer þ
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

At August 1, 2012, the registrant had 39,315,658 shares of its common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements***

MOVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash	$ 45,248	$ 87,579
Accounts receivable, net	12,463	11,719
Other current assets	7,754	7,086
Total current assets	65,465	106,384
Property and equipment, net	19,725	20,487
Investment in unconsolidated joint venture	5,152	5,711
Goodwill, net	24,450	24,450
Intangible assets, net	6,525	7,319
Other assets	559	570
Total assets	$ 121,876	$ 164,921
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,786	$ 5,851
Accrued expenses	15,805	14,782
Deferred revenue	8,890	9,809
Total current liabilities	28,481	30,442
Other noncurrent liabilities	3,216	3,264
Total liabilities	31,697	33,706
Commitments and contingencies (see note 15)		
Series B convertible preferred stock	-	48,555
Stockholders equity:		
Series A convertible preferred stock	-	-
Common stock	39	39
Additional paid-in capital	2,127,724	2,121,483
Accumulated other comprehensive income	226	258
Accumulated deficit	(2,037,810)	(2,039,120)
Total stockholders equity	90,179	82,660
Total liabilities and stockholders equity	$ 121,876	$ 164,921

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

MOVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenue	$ 49,309	$ 48,915	$ 97,050	$ 97,990
Cost of revenue	9,628	10,461	19,273	21,244
Gross profit	39,681	38,454	77,777	76,746
Operating expenses:				
Sales and marketing	18,358	17,927	35,770	36,243
Product and web site development	9,477	8,999	18,191	18,462
General and administrative	10,162	9,465	21,050	19,529
Amortization of intangible assets	397	356	794	711
Total operating expenses	38,394	36,747	75,805	74,945
Operating income	1,287	1,707	1,972	1,801
Interest income, net	-	17	1	35
Earnings of unconsolidated joint venture	221	140	420	351
Other (expense) income, net	(17)	(52)	(69)	377
Income from operations before income taxes	1,491	1,812	2,324	2,564
Income tax expense	47	74	72	92
Net income	1,444	1,738	2,252	2,472
Convertible preferred stock dividend and related accretion	(24)	(562)	(942)	(2,944)
Net income (loss) applicable to common stockholders	$ 1,420	$ 1,176	$ 1,310	$ (472)
Basic net income (loss) per share applicable to common stockholders	$ 0.04	$ 0.03	$ 0.03	$ (0.01)
Diluted net income (loss) per share applicable to common stockholders	$ 0.04	$ 0.03	$ 0.03	$ (0.01)
Shares used to calculate basic and diluted income (loss) per share applicable to common stockholders:				
Basic	38,697	39,543	38,592	39,507
Diluted	39,689	40,471	39,518	39,507
Comprehensive income:				
Net income	$ 1,444	$ 1,738	$ 2,252	$ 2,472
Foreign currency translation loss	(32)	(19)	(32)	(36)
Comprehensive income	$ 1,412	$ 1,719	$ 2,220	$ 2,436

The accompanying notes are an integral part of these unaudited
Condensed Consolidated Financial Statements.

MOVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 2,252	$ 2,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,913	4,639
Amortization of intangible assets	794	711
Provision for doubtful accounts	433	58
Stock-based compensation and charges	3,860	3,284
Earnings of unconsolidated joint venture	(420)	(351)
Return on investment in unconsolidated joint venture	255	280
Other noncash items	(22)	(76)
Changes in operating assets and liabilities:		
Accounts receivable	(1,177)	(457)
Other assets	(656)	(914)
Accounts payable and accrued expenses	(584)	(3,237)
Deferred revenue	(942)	(1,228)
Net cash provided by operating activities	8,706	5,181
Cash flows from investing activities:		
Purchases of property and equipment	(4,162)	(3,812)
Return of investment in unconsolidated joint venture	724	660
Net cash used in investing activities	(3,438)	(3,152)
Cash flows from financing activities:		
Principal payments on loan payable	(54)	(51)
Redemption of convertible preferred stock	(49,044)	(70,000)
Payment of dividends on convertible preferred stock	(882)	(1,150)
Proceeds from exercise of stock options	2,931	435
Tax payment related to net share settlements of restricted stock awards	(481)	(225)
Repurchases of common stock	(69)	-
Net cash used in financing activities	(47,599)	(70,991)
Change in cash and cash equivalents	(42,331)	(68,962)
Cash and cash equivalents, beginning of period	87,579	158,517
Cash and cash equivalents, end of period	$ 45,248	$ 89,555

The accompanying notes are an integral part of these unaudited
Condensed Consolidated Financial Statements.

MOVE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Move, Inc. and its subsidiaries (the Company or Move) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide a comprehensive resource for consumers seeking online information and connections needed regarding real estate. The Company s flagship consumer web sites are REALTOR.com®, Move.com and Moving.com™. Through its ListHub business, the Company is also an online real estate listing syndicator and provider of advanced performance reporting solutions for the purpose of helping to drive an effective online advertising program for brokers, real estate franchises, and individual agents. The Company also supplies lead management software for real estate agents and brokers through its Top Producer® business.

2. Principles of Consolidation and Basis of Presentation

The accompanying financial statements are consolidated and include the financial statements of Move, Inc. and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has evaluated all subsequent events through the date the financial statements were issued.

Investments in private entities where the Company holds a 50% or less ownership interest and does not exercise control are accounted for using the equity method of accounting. The investment balance is included in Investment in unconsolidated joint venture within the Condensed Consolidated Balance Sheets and the Company s share of the investees results of operations is included in Earnings of unconsolidated joint venture within the Condensed Consolidated Statements of Operations.

The Company s unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including those for interim financial information, and with the instructions for Form 10-Q and Article 10 of Regulation S-X issued by the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements are unaudited and, in the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 (the Annual Report), which was filed with the SEC on February 17, 2012. The results of operations for the three and six months ended June 30, 2012, are not necessarily indicative of the operating results expected for the full year ending December 31, 2012.

Adjustments to Statements of Cash Flows

Certain adjustments have been made to the prior year Condensed Consolidated Statement of Cash Flows to conform to the current year presentation. These adjustments have the effect of increasing cash flows from operating activities (i.e., returns on investment) and decreasing cash flows from investing activities (i.e., returns of investment).

During the three months ended June 30, 2012, the Company identified immaterial errors in the Condensed Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010, and the interim periods of 2011, related to the classification of cash distributions that represented returns on its investment in an unconsolidated joint venture as cash flows from investing activities. The Company has analyzed and apportioned the total cash distributions received associated with its investment in unconsolidated joint venture utilizing the cumulative earnings approach to properly apportion the cash distributions received between returns on investment and returns of investment for purposes of classification in its Consolidated Statements of Cash Flows. All cash distributions received were deemed to be returns on the Company s investment in the unconsolidated joint venture and classified as operating cash flows, unless the cumulative cash distributions exceeded the Company s cumulative equity in earnings from its investment in the joint venture, in which case the excess cash distributions were deemed to be returns of the investment and classified as investing cash flows. Based on a quantitative and qualitative analysis of the errors in prior financial statements as required by authoritative guidance, the Company concluded that such errors had, and such apportionment adjustments would have, no material impact on any of the Company s previously issued financial statements and had no effect on the trend of financial results. Accordingly, the Company has elected to present revised information pertaining to cash flows from operating and investing activities for the years ended December 31, 2011 and 2010, and the interim periods of 2011, as described below. These revised amounts are reflected in the Condensed Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2012 and 2011, and will also be reflected in future filings, as applicable.

For the year ended December 31, 2011, cash distributions representing a return on investment were $1.2 million. Adjustment of such amount has the effect of increasing previously reported cash provided by operating activities to $17.6 million and increasing previously reported cash used in investing activities to $7.3 million for 2011. For the year ended December 31, 2010, cash distributions representing a return on investment were $1.0 million. Adjustment of such amount has the effect of increasing previously reported cash provided by operating activities to $23.7 million and reducing previously reported cash provided by investing activities to $87.3 million for 2010. For the three months ended March 31, 2011, cash distributions representing a return on investment were $0.3 million. Adjustment of such amount has the effect of reducing previously reported cash used in operating activities to $1.7 million and increasing previously reported cash used in investing activities to $1.1 million for the first quarter of 2011. For the six months ended June 30, 2011 and the nine months ended September 30, 2011, cash distributions representing a return on investment were $0.3 million. Adjustment of such amounts has the effect of increasing previously reported cash provided by operating activities to $5.2 million and $8.1 million, and increasing previously reported cash used in investing activities to $3.2 million and $4.4 million, for the six months ended June 30, 2011 and the nine months ended September 30, 2011, respectively.

3. New Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update, which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. This accounting standards update was effective for public companies during interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company has elected to report comprehensive income in a single continuous statement of comprehensive income. The adoption of this accounting standards update did not have a material impact on the Company s consolidated financial statements.

In September 2011, the FASB issued an accounting standards update which allows entities to use a qualitative approach to test goodwill for impairment. This update permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This update was effective for public companies during interim and annual periods beginning after December 15, 2011, with early adoption permitted. The adoption of this accounting standards update did not have an impact on the Company s consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under evaluation by the various standard setting organizations and regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company s consolidated financial statements.

4. Investment in Unconsolidated Joint Ventures

The Company accounts for its investment in unconsolidated joint ventures under the equity method of accounting. Under this method, the Company records its proportionate share of the joint venture s net income or loss based on the joint venture s monthly financial statements, which is recorded one month in arrears.

As of June 30, 2012 and December 31, 2011, the Company s interest in its unconsolidated joint venture, Builders Digital Experience, LLC (BDX), amounted to $5.2 million and $5.7 million, respectively, which was recorded in Investment in unconsolidated joint venture within the Condensed Consolidated Balance Sheets.

The Company s proportionate share of earnings resulting from its investment in unconsolidated joint venture was $0.2 million and $0.1 million for the three-month periods ended June 30, 2012 and 2011, respectively, and $0.4 million for the six-month periods ended June 30, 2012 and 2011, and was included in Earnings of unconsolidated joint venture within the Condensed Consolidated Statements of Operations.

The Company received cash distributions of $1.0 million and $0.9 million from BDX during the six-month periods ended June 30, 2012 and 2011, respectively. The Company applies the cumulative earnings approach to apportion the cash distributions received from BDX between returns on investment and returns of investment for purposes of classification in its Condensed Consolidated Statements of Cash Flows. All cash distributions received are deemed to be returns on the Company s investment in BDX and classified as operating cash flows, unless the cumulative cash distributions exceed the Company s cumulative equity in earnings from its investment in BDX, in which case the excess cash distributions are deemed to be returns of the investment and are classified as investing cash flows.

5. Fair Value Measurements

As of June 30, 2012 and December 31, 2011, all of the Company s cash balances were held in unrestricted demand deposit accounts. The Company had no cash equivalents at either of those dates. Accordingly, no adjustments to fair value were necessary.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. That is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g. when there are indicators of impairment). The Company had no significant nonfinancial assets or liabilities that required adjustment to fair value subsequent to initial recognition at either June 30, 2012 or December 31, 2011.

6. Revolving Line of Credit

The Company is party to a revolving line of credit agreement with a major financial institution, providing for borrowings of up to $20.0 million, available until August 31, 2013. At June 30, 2012 and December 31, 2011, the Company had no borrowings outstanding under the revolving line of credit. The revolving line of credit requires interest payments based on the BBA LIBOR Rate plus 2.5%. There is an unused commitment fee of 0.2% on any unused portion of the line of credit, payable quarterly. Additionally, there is a 0.5% annual fee payable if the Company s average aggregate monthly deposit and investment balances with the financial institution fall below $35.0 million. Among financial and other covenants, the revolving line of credit agreement provides that the Company mus