

INFOSPACE INC
Form 10-Q/A
November 14, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1 to Form 10-Q

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

For the quarterly period ended June 30, 2011

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 Number: 000-25131

INFOSPACE, INC.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

601 108th Avenue NE, Suite 1200
Bellevue, Washington
(Address of principal executive offices)

91-1718107
(I.R.S. Employer
Identification No.)

98004
(Zip Code)

Registrant's telephone number, including area code: (425) 201-6100

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. (Check One):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 29, 2011
Common Stock, Par Value \$0.0001	38,149,690

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Explanatory Note

InfoSpace, Inc. (the *Company*, *InfoSpace*, *our*, or *we*) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the three months ended June 30, 2011, as originally filed with the Securities and Exchange Commission (*SEC*) on August 8, 2011 (the **Original Quarterly Report**) for the purpose of restating its unaudited condensed consolidated financial statements for the second quarters of 2011 and 2010. As we reported in our Current Report on Form 8-K filed with the SEC on November 3, 2011, we have identified an error related to our accounting for goodwill in connection with our acquisition of the Make The Web Better assets in April 2010. As a result, we are restating our unaudited condensed consolidated financial statements to correct this error.

On April 1, 2010, we purchased assets consisting of internet properties and licenses for content and technology from Make The Web Better, a developer of online products used on social networking sites and a member of our search distribution network. We purchased these assets for \$13.0 million and allocated \$12.7 million of the purchase price to goodwill. We have determined that this \$12.7 million should have been allocated to an intangible asset consisting of an installed code base technology that directs Make The Web Better users to use our search services. As a result of this determination, the Company is restating all periods since the second quarter of 2010 to amortize that intangible asset. We have recorded this amortization as an expense to cost of sales. For further detail on this restatement, please see Note 1: The Company and Basis of Presentation of the Notes to Unaudited Condensed Consolidated Financial Statements (Item 1 of Part I of this report).

This Amendment No. 1 also contains a change in presentation for discontinued operations from the original Quarterly Report that is not a restatement or connected to the restatement described above, but is an appropriate change given the re-issuance of the information contained in this report. For further detail on this presentation change, please see Note 8: Discontinued Operations of the Notes to Unaudited Condensed Consolidated Financial Statements (Item 1 of Part I of this report).

We are amending and restating in their entirety all of Items 1, 2, and 4 of Part I and Item 6 of Part II in this Amendment No. 1 to reflect the restatement of the above-referenced financial statements and the other changes to presentation and classification as described herein. There have been no changes to the Original Quarterly Report other than those specifically described in this Amendment No. 1.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****INFOSPACE, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except share data)

	June 30, 2011 (as Restated)	December 31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 70,698	\$ 155,645
Short-term investments, available-for-sale	192,704	98,091
Accounts receivable, net of allowance of \$10 and \$15	19,758	19,189
Other receivables	4,528	1,185
Prepaid expenses and other current assets	1,577	2,163
Net assets of discontinued operations		16,161
Total current assets	289,265	292,434
Property and equipment, net	6,814	7,304
Goodwill	44,815	44,815
Other intangible assets, net	2,180	3,910
Other long-term assets	4,264	4,257
Total assets	\$ 347,338	\$ 352,720
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 12,503	\$ 2,699
Accrued expenses and other current liabilities	20,896	39,518
Liabilities of discontinued operations		7,777
Total current liabilities	33,399	49,994
Other long-term liabilities	757	955
Total liabilities	34,156	50,949
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, par value \$0.0001 authorized, 1,800,000,000 shares; issued and outstanding 37,963,589 and 36,088,646 shares	4	4
Additional paid-in capital	1,337,020	1,322,265
Accumulated deficit	(1,023,851)	(1,020,496)
Accumulated other comprehensive income (loss)	9	(2)
Total stockholders' equity	313,182	301,771
Total liabilities and stockholders' equity	\$ 347,338	\$ 352,720

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See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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	Three months ended June 30,		Six months ended June 30,	
	2011 (as Restated)	2010 (as Restated)	2011 (as Restated)	2010 (as Restated)
Revenues:	\$ 54,292	\$ 52,363	\$ 105,942	\$ 114,136
Cost of sales:	36,579	33,414	69,253	76,973
Gross profit	17,713	18,949	36,689	37,163
Expenses and other income:				
Engineering and technology	1,784	2,540	3,448	4,446
Sales and marketing	4,902	7,314	11,869	13,796
General and administrative	4,970	6,751	10,130	13,506
Depreciation	552	814	1,214	1,634
Other loss (income), net	(107)	3,522	(182)	3,659
Total expenses and other income	12,101	20,941	26,479	37,041
Income (loss) from continuing operations before income taxes	5,612	(1,992)	10,210	122
Income tax benefit (expense)	(1,936)	538	(3,638)	(32)
Income (loss) from continuing operations	3,676	(1,454)	6,572	90
Discontinued operations:				
Loss from discontinued operations, net of taxes	(680)	(912)	(2,253)	(912)
Loss on sale of discontinued operations, net of taxes	(7,674)		(7,674)	
Net loss	\$ (4,678)	\$ (2,366)	\$ (3,355)	\$ (822)
Loss per share - Basic				
Income (loss) from continuing operations	\$ 0.10	\$ (0.04)	\$ 0.18	\$
Loss from discontinued operations	(0.02)	(0.03)	(0.06)	(0.02)
Loss on sale of discontinued operations	(0.20)		(0.21)	
Basic net loss per share	\$ (0.12)	\$ (0.07)	\$ (0.09)	\$ (0.02)
Weighted average shares outstanding used in computing basic income (loss) per share	37,422	35,751	36,883	35,609
Loss per share - Diluted				
Income (loss) from continuing operations	\$ 0.10	\$ (0.04)	\$ 0.18	\$
Loss from discontinued operations	(0.02)	(0.03)	(0.06)	(0.02)
Loss on sale of discontinued operations	(0.20)		(0.21)	
Diluted net loss per share	\$ (0.12)	\$ (0.07)	\$ (0.09)	\$ (0.02)
Weighted average shares outstanding used in computing diluted income (loss) per share	38,128	35,751	37,609	37,207

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Other comprehensive loss:				
Net loss	\$ (4,678)	\$ (2,366)	\$ (3,355)	\$ (822)
Foreign currency translation adjustment		(17)		(188)
Unrealized gain (loss) on investments, available-for-sale, included in net income loss	(18)	77	11	140
Other comprehensive income (loss)	(18)	60	11	(48)
Comprehensive loss	\$ (4,696)	\$ (2,306)	\$ (3,344)	\$ (870)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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Table of Contents**INFOSPACE, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(amounts in thousands)**

	Six months ended June 30, 2011 (as Restated)	2010 (as Restated)
Operating activities:		
Net loss	\$ (3,355)	\$ (822)
Adjustments to reconcile net loss to net cash provided by operating activities of continuing operations:		
Loss from sale of discontinued operations	7,674	
Loss from discontinued operations	2,253	912
Stock-based compensation		