

DealerTrack Holdings, Inc.  
Form 10-Q  
November 08, 2011

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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, 2011

OR

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

Commission File Number 000-51653

DealerTrack Holdings, Inc.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation  
or  
organization)

52-2336218  
(I.R.S. Employer Identification Number)

1111 Marcus Ave., Suite M04  
Lake Success, NY, 11042  
(Address of principal executive offices, including zip code)

(516) 734-3600  
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 Website, 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):

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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 31, 2011, 41,485,931 shares of the registrant's common stock were outstanding.

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DEALERTRACK HOLDINGS, INC.  
FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## DEALERTRACK HOLDINGS, INC.

## CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2011	December 31, 2010
	(In thousands, except share and per share amounts)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 64,951	\$ 192,563
Investments	44	490
Customer funds	2,054	—
Customer funds receivable	19,135	—
Accounts receivable, net of allowances of \$4,988 and \$3,258 as of September 30, 2011 and December 31, 2010, respectively	40,532	24,273
Prepaid expenses and other current assets	25,092	17,929
<b>Total current assets</b>	<b>151,808</b>	<b>235,255</b>
Investments — long-term	—	2,254
Property and equipment, net	20,780	18,875
Software and website developments costs, net	36,538	29,875
Intangible assets, net	100,978	23,163
Goodwill	233,428	136,408
Deferred tax assets — long-term	25,387	1,015
Other assets — long-term	13,949	12,118
<b>Total assets</b>	<b>\$ 582,868</b>	<b>\$ 458,963</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,959	\$ 5,241
Accrued compensation and benefits	15,493	10,823
Accrued liabilities — other	17,280	12,511
Customer funds payable	21,189	—
Deferred revenue	8,298	5,010
Deferred tax liabilities	—	411
Capital leases payable	317	317
<b>Total current liabilities</b>	<b>68,536</b>	<b>34,313</b>

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Long-term liabilities		
Capital leases payable	126	165
Deferred tax liabilities	38,590	9,488
Deferred revenue	6,008	3,254
Due to acquirees	10,336	—
Other liabilities	4,791	2,826
Total long-term liabilities		
	59,851	15,733
Total liabilities		
	128,387	50,046
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized and no shares issued and outstanding as of September 30, 2011 and December 31, 2010	—	—
Common stock, \$0.01 par value: 175,000,000 shares authorized; 44,565,403 shares issued and 41,467,916 shares outstanding as of September 30, 2011; and 175,000,000 shares authorized; 43,748,237 shares issued and 40,673,042 shares outstanding as of December 31, 2010	446	437
Treasury stock, at cost, 3,097,487 shares and 3,075,195 shares as of September 30, 2011 and December 31, 2010, respectively	(51,529 )	(51,083 )
Additional paid-in capital	479,982	463,614
Accumulated other comprehensive income	5,236	7,858
Retained earnings (accumulated deficit)	20,346	(11,909 )
Total stockholders' equity		
	454,481	408,917
Total liabilities and stockholders' equity		
	\$ 582,868	\$ 458,963

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

## DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands, except share and per share amounts)		(In thousands, except share and per share amounts)	
<b>Revenue:</b>				
Net revenue	\$ 95,793	\$ 63,128	\$ 262,035	\$ 181,820
<b>Operating expenses:</b>				
Cost of revenue (1)	52,803	32,837	145,942	96,977
Product development (1)	3,661	3,354	10,903	10,291
Selling, general and administrative (1)	32,285	24,526	93,340	77,036
<b>Total operating expenses</b>	<b>88,749</b>	<b>60,717</b>	<b>250,185</b>	<b>184,304</b>
Income (loss) from operations	7,044	2,411	11,850	(2,484 )
Interest income	71	132	270	381
Interest expense	(334 )	(36 )	(578 )	(155 )
Other income	72	190	176	1,090
Realized gain on securities	—	—	409	582
<b>Income (loss) before (provision for) benefit from income taxes</b>	<b>6,853</b>	<b>2,697</b>	<b>12,127</b>	<b>(586 )</b>
(Provision for) benefit from income taxes, net	(1,492 )	(1,515 )	20,128	(800 )
<b>Net income (loss)</b>	<b>\$ 5,361</b>	<b>\$ 1,182</b>	<b>\$ 32,255</b>	<b>\$ (1,386 )</b>
<b>Basic net income (loss) per share</b>	<b>\$ 0.13</b>	<b>\$ 0.03</b>	<b>\$ 0.78</b>	<b>\$ (0.03 )</b>
<b>Diluted net income (loss) per share</b>	<b>\$ 0.13</b>	<b>\$ 0.03</b>	<b>\$ 0.76</b>	<b>\$ (0.03 )</b>
Weighted average common stock outstanding (basic)	41,396,431	40,404,126	41,146,197	40,246,374
Weighted average common stock outstanding (diluted)	42,497,367	41,354,680	42,366,861	40,246,374

(1) Stock-based compensation expense recorded for the three and nine months ended September 30, 2011 and 2010 was classified as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of revenue	\$ 456	\$ 438	\$ 1,308	\$ 1,279
Product development	176	164	548	471
Selling, general and administrative	2,113	2,248	6,857	6,929

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



## DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
	(In thousands)	
<b>Operating Activities:</b>		
Net income (loss)	\$ 32,255	\$ (1,386 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	37,620	27,475
Deferred tax benefit	(22,813 )	(2,650 )
Stock-based compensation expense	8,713	8,679
Provision for doubtful accounts and sales credits	4,828	4,015
Loss on sale of property and equipment	—	19
Amortization of deferred interest	15	68
Deferred compensation	150	—
Stock-based compensation windfall tax benefit	(2,255 )	(1,398 )
Realized gain on securities	(409 )	(582 )
Amortization of debt issuance costs	213	—
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(16,449 )	(10,938 )
Prepaid expenses and other current assets	(1,649 )	(4,108 )
Accounts payable and accrued expenses	(3,969 )	(5,121 )
Deferred revenue	1,726	115
Other liabilities — long-term	965	6
Deferred rent	37	89
Other assets — long-term	(223 )	(11,408 )
<b>Net cash provided by operating activities</b>	<b>38,755</b>	<b>2,875</b>