

Edgar Filing: TrueCar, Inc. - Form 10-Q

TrueCar, Inc.
Form 10-Q
November 12, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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 September 30, 2015

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

Commission File Number: 001-36449

TRUECAR, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3807511
(I.R.S. Employer
Identification Number)

120 Broadway, Suite 200
Santa Monica, California 90401
(800) 200-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 x 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 x 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 x (do not check if a smaller reporting company)	Smaller reporting company ..
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes .. No x

As of November 4, 2015, 82,686,487 shares of the registrant's common stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, lease exit related plans and charges, ability to generate cash flow, and ability to achieve, and maintain, future profitability;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our nationwide network of TrueCar Certified Dealers;
- our anticipated growth and growth strategies and our ability to effectively manage that growth;
- our ability to drive adoption of our services by consumers and increase traffic and transactions on our platform;
- our ability to anticipate or adapt to future changes in our industry;
- our ability to hire and retain necessary qualified employees to expand our operations;
- our ability to adequately protect our intellectual property;
- our ability to successfully resolve litigation to which we are subject;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business; and
- our liquidity and working capital requirements.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties. Nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in the forward-looking statements contained in this Quarterly Report on Form 10-Q.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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TRUECAR, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share data)

(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$123,706	\$147,539
Accounts receivable, net of allowances of \$2,728 and \$2,069 at September 30, 2015 and December 31, 2014, respectively (includes related party receivables of \$1,078 and \$1,865 at September 30, 2015 and December 31, 2014, respectively)	37,392	28,748
Prepaid expenses (includes related party prepaid expenses of \$101 and \$906 at September 30, 2015 and December 31, 2014, respectively)	5,076	5,193
Other current assets	1,848	3,040
Total current assets	168,022	184,520
Property and equipment, net	67,978	30,731
Goodwill	53,270	53,270
Intangible assets, net	24,848	27,949
Other assets	989	482
Total assets	\$315,107	\$296,952
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of \$5,267 and \$4,954 at September 30, 2015 and December 31, 2014, respectively)	\$22,733	\$12,826
Accrued employee expenses	5,798	14,245
Accrued expenses and other current liabilities (includes related party accrued expenses of \$189 and \$0 at September 30, 2015 and December 31, 2014, respectively)	13,309	11,783
Total current liabilities	41,840	38,854
Deferred tax liabilities	2,660	2,245
Lease financing obligations, net of current portion	27,020	6,093
Other liabilities	546	562
Total liabilities	72,066	47,754
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock — \$0.0001 par value; 20,000,000 shares authorized at September 30, 2015 and December 31, 2014; no shares issued and outstanding at September 30, 2015 and December 31, 2014	—	—
Common stock — \$0.0001 par value; 1,000,000,000 shares authorized at September 30, 2015 and December 31, 2014; 82,573,963 and 79,811,769 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	8	8
Additional paid-in capital	491,489	460,179
Accumulated deficit	(248,456) (210,989
Total stockholders' equity	243,041	249,198
Total liabilities and stockholders' equity	\$315,107	\$296,952

See accompanying notes to condensed consolidated financial statements.

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TRUECAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$72,405	\$56,751	\$196,250	\$151,178
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party expenses of \$0 and \$405 for the nine months ended September 30, 2015 and 2014, respectively)	5,952	4,666	17,670	12,524
Sales and marketing (includes related party expenses of \$7,701 and \$6,700 for the three months ended September 30, 2015 and 2014, and \$17,872 and \$14,543 for the nine months ended September 30, 2015 and 2014, respectively)	43,969	36,399	116,135	97,458
Technology and development	12,340	10,906	33,079	26,751
General and administrative	16,467	14,919	53,643	42,873
Depreciation and amortization	4,477	3,388	12,521	9,474
Total costs and operating expenses	83,205	70,278	233,048	189,080
Loss from operations	(10,800)	(13,527)	(36,798)	(37,902)
Interest income	27	14	71	41
Interest expense	(159)	(27)	(322)	(327)
Other income	—	20	14	30
Loss before provision for income taxes				