

GrubHub Inc.
Form 10-Q
May 09, 2016

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 March 31, 2016

OR

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

Commission File Number 1-36389

GRUBHUB INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	46-2908664 (I.R.S. Employer Identification No.)
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111 W. Washington Street, Suite 2100

Chicago, Illinois (Address of principal executive offices) (877) 585-7878	60602 (Zip code)
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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 (§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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of May 6, 2016, 84,717,401 shares of common stock were outstanding.

GRUBHUB INC.

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

GRUBHUB INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(UNAUDITED)

	March 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 203,312	\$ 169,293
Short term investments	121,129	141,448
Accounts receivable, less allowances for doubtful accounts	51,414	42,051
Prepaid expenses	3,578	3,482
Total current assets	379,433	356,274
PROPERTY AND EQUIPMENT:		
Property and equipment, net of depreciation and amortization	24,226	19,082
OTHER ASSETS:		
Other assets	3,383	3,105
Goodwill	396,220	396,220
Acquired intangible assets, net of amortization	280,772	285,567
Total other assets	680,375	684,892
TOTAL ASSETS	\$ 1,084,034	\$ 1,060,248
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Restaurant food liability	\$ 74,375	\$ 64,326
Accounts payable	4,176	8,189
Accrued payroll	3,805	4,841
Taxes payable	423	426
Other accruals	15,699	11,830
Total current liabilities	98,478	89,612
LONG TERM LIABILITIES:		
Deferred taxes, non-current	84,262	87,584
Other accruals	5,523	5,456
Total long term liabilities	89,785	93,040
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Series A Convertible Preferred Stock, \$0.0001 par value. Authorized: 25,000,000 shares as of March 31, 2016 and December 31, 2015; issued and outstanding: no shares as of March 31, 2016 and December 31, 2015.	—	—
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Common stock, \$0.0001 par value. Authorized: 500,000,000 shares at March 31, 2016 and December 31, 2015; issued and outstanding: 84,623,138 and 84,979,869 shares as of March 31, 2016 and December 31, 2015, respectively

Accumulated other comprehensive loss	(826)	(604)
Additional paid-in capital	767,756	759,292
Retained earnings	128,833	118,900
Total Stockholders' Equity	\$895,771	\$ 877,596
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,084,034	\$ 1,060,248

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$112,240	\$88,249
Costs and expenses:		
Sales and marketing	28,833	24,107
Operations and support	34,987	22,701
Technology (exclusive of amortization)	10,192	7,666
General and administrative	13,589	9,101
Depreciation and amortization	7,308	6,249
Total costs and expenses	94,909	69,824
Income before provision for income taxes	17,331	18,425
Provision for income taxes	7,398	7,855
Net income attributable to common stockholders	\$9,933	\$10,570
Net income per share attributable to common stockholders:		
Basic	\$0.12	\$0.13
Diluted	\$0.12	\$0.12
Weighted-average shares used to compute net income per share attributable to common stockholders:		
Basic	84,710	82,783
Diluted	85,699	85,098

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Net income	\$9,933	\$10,570
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustments	(222)	(293)
COMPREHENSIVE INCOME	\$9,711	\$10,277

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$9,933	\$10,570
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,344	1,215
Provision for doubtful accounts	443	93
Deferred taxes	(3,321)	1,219
Amortization of intangible assets	5,964	5,034
Stock-based compensation	6,901	3,007
Other	26	239
Change in assets and liabilities, net of the effects of business acquisitions:		
Accounts receivable	(9,956)	(11,862)
Prepaid expenses and other assets	(136)	255
Restaurant food liability	10,081	24,376
Accounts payable	(5,434)	(1,826)
Accrued payroll	(1,034)	(3,146)
Other accruals	3,855	1,248
Net cash provided by operating activities	18,666	30,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(56,227)	(37,068)
Proceeds from maturity of investments	76,615	38,060
Capitalized website and development costs	(2,331)	(1,213)
Purchases of property and equipment	(3,259)	(441)
Acquisitions of businesses, net of cash acquired	—	(55,506)
Acquisition of other intangible assets	(250)	—
Other cash flows from investing activities	(173)	—
Net cash provided by (used in) investing activities	14,375	(56,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchases of common stock	(9,771)	—
Proceeds from exercise of stock options	1,012	5,823
Excess tax benefits related to stock-based compensation	10,610	6,492
Taxes paid related to net settlement of stock-based compensation awards	(682)	—
Net cash provided by financing activities	1,169	12,315
Net change in cash and cash equivalents	34,210	(13,431)
Effect of exchange rates on cash	(191)	(210)