

USA INTERACTIVE  
Form 10-K/A  
November 14, 2002

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As filed with the Securities and Exchange Commission on November 13, 2002

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-K/A

**(Amendment No. 2)**

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

For the Fiscal Year Ended December 31, 2001

## USA INTERACTIVE

(Exact name of registrant as specified in its charter)

Commission File No. 0-20570

**Delaware** **59-2712887**  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

**152 West 57th Street, New York, New York, 10019**

(Address of Registrant's principal executive offices)

**(212) 314-7300**

(Registrant's telephone number, including area code):

**USA Networks, Inc.**

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

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**Securities registered pursuant to Section 12(b) of the Act:**

None

**Securities registered pursuant to Section 12(g) of the Act:**

Common Stock, \$.01 par value  
Warrants to acquire Common Stock

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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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of February 15, 2002, the following shares of the Registrant's capital stock were outstanding:

Common Stock	340,633,475
Class B Common Stock	63,033,452
	<hr/>
Total	403,666,927
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,845
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Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	764,819,772
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The aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 15, 2002 was \$8,110,122,614. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of February 15, 2002, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 764,819,772 shares of Common Stock with an aggregate market value of \$23,135,798,101.

### Documents Incorporated By Reference:

Portions of the Registrant's proxy statement for its 2002 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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### EXPLANATORY NOTE

The registrant hereby amends and restates in its entirety Item 6, Selected Financial Data and Item 8, Consolidated Financial Statements and Supplementary Data as described. On May 7, 2002, USA Interactive (formerly USA Networks, Inc.) completed its previously announced transaction with Vivendi Universal, S.A. to create a joint venture called Vivendi Universal Entertainment. In conjunction with the transaction, USA Interactive contributed the USA Entertainment Group to Vivendi Universal Entertainment LLLP. The USA Entertainment Group consisted of USA Cable, including USA Network, SciFi Channel, and Emerging Networks TRIO and Newsworld International and Crime; Studios USA, which produces and distributes television programming; and USA Films, which produces and distributes films. The Company previously filed an Amendment on Form 10-K/A whereby the consolidated financial statements and selected financial data included therein were reclassified to present the results of operations and financial position of USA Entertainment as discontinued operations. The registrant determined that certain selected information related to the discontinued operations for 1997 and 1998 as previously filed did not reflect certain required adjustments, including an adjustment to minority interest expense, resulting in an increase in earnings compared to the previous filing. Furthermore, the consolidated financial statements included in this Amendment have been adjusted for the impact of discontinued operations on the determination of diluted weighted average shares outstanding. The impact of these items on earnings per share resulted in higher diluted earnings per share before cumulative effect of accounting change and diluted net earnings per share for the year ended December 31, 2001 and higher basic and diluted earnings per share from continuing operations, earnings per share before cumulative effect of accounting change and earnings per share for 1998. In addition, the selected financial data includes the new transition disclosure related to the adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangibles."

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The following table presents selected historical financial data of USA for each of the years in the five year period ended December 31, 2001. This data was derived from USA's audited consolidated financial statements and reflects the operations and financial position of USA at the dates and for the periods indicated. The information in this table should be read with the financial statements and accompanying notes and other financial data pertaining to USA included herein. In August 2001, the Company completed its previously announced sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc. ("Univision"). On May 7, 2002, USA completed its transaction with Vivendi Universal S.A. ("Vivendi") in which USA's Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, was contributed to Vivendi Universal Entertainment, a new joint venture controlled by Vivendi. The financial position and results of operations of USAB and USA Entertainment Group have been presented as discontinued operations in the following table.

	Year Ended December 31,				
	1997(1)	1998(2)(3)	1999(4)	2000(5)	2001(6)
	(Dollars in thousands, except per share data)				
<b>Statements of Operations Data:</b>					
Net revenues	\$ 1,310,037	\$ 1,639,828	\$ 2,001,108	\$ 2,964,612	\$ 3,468,860
Operating profit (loss)	102,729	59,391	(48,842)	(349,746)	(216,423)
Earnings (loss) from continuing operations <sup>(8)</sup>	34,397	26,848	(69,212)	(172,398)	(186,799)
Earnings (loss) before cumulative effect of accounting change	13,061	76,874	(27,631)	(147,983)	392,795
Net earnings (loss)	13,061	76,874	(27,631)	(147,983)	383,608
Basic earnings (loss) per common share from continuing operations <sup>(7)(8)</sup> :	0.16	0.09	(0.21)	(0.48)	(0.50)
Diluted earnings (loss) per common share from continuing operations <sup>(7)(8)</sup> :	0.15	0.04	(0.21)	(0.48)	(0.50)
Basic earnings (loss) per common share before cumulative effect of accounting change <sup>(7)(8)</sup> :	0.06	0.27	(.08)	(0.41)	1.05
Diluted earnings (loss) per common share before cumulative effect of accounting change <sup>(7)(8)</sup> :	0.06	0.21	(.08)	(0.41)	1.05
Basic earnings (loss) per common share <sup>(7)(8)</sup> :	0.06	0.27	(.08)	(0.41)	1.03
Diluted earnings (loss) per common share <sup>(7)(8)</sup> :	0.06	0.21	(.08)	(0.41)	1.03
<b>Balance Sheet Data (end of period):</b>					
Working Capital	\$ 60,941	\$ 443,408	\$ 381,046	\$ 355,157	\$ 1,380,936
Total Assets	2,464,750	4,161,873	5,151,160	5,646,290	6,539,850
Long-term obligations, net of current maturities	389,679	775,683	573,056	551,766	544,372
Minority Interest	271,772	336,788	742,365	908,831	706,688
Stockholders' equity	1,447,354	2,571,405	2,769,729	3,439,871	3,945,501
<b>Other Data:</b>					
Net cash provided by (used in):					
Operating activities	\$ 34,581	\$ (91,660)	\$ 77,760	\$ 87,321	\$ 298,335
Investing activities	(81,450)	(1,179,346)	(468,318)	(408,016)	35,052
Financing activities	108,050	1,297,654	100,204	58,163	56,256
Discontinued operations	12,249	304,173	267,651	86,266	348,174
Effect of exchange rate changes		(1,501)	(123)	(2,687)	(3,663)

- (1) The consolidated statement of operations data include the operations of Ticketmaster since the acquisition by USA of a controlling interest in Ticketmaster on July 17, 1997.
- (2) The consolidated statement of operations data include the operations of USA Cable, formerly USA Networks, and Studios USA since their acquisition by USA from Universal on February 12, 1998 and Citysearch since its acquisition by USA on September 28, 1998.
- (3) Net earnings for the year ended December 31, 1998 include a pre-tax gain of \$74.9 million related to USA's sale of its Baltimore television station during the first quarter of 1998 and a pre-tax gain of \$109.0 million related to the purchase of Citysearch during the fourth quarter of 1998.
- (4) The consolidated statement of operations data include the operations of Hotels.com, formerly Hotel Reservations Network, since its acquisition by USA on May 10, 1999 and the operations of October Films and the domestic film distribution and development businesses of Universal, which was previously operated Polygram Filmed Entertainment, referred to as USA

Films, since their acquisition by USA on May 28, 1999. Net earnings for the year ended December 31, 1999 includes a pre-tax gain of \$89.7 million related to the sale of securities.

- (5) Includes a pre-tax gain of \$104.6 million by Styleclick, Inc. related to USA's exchange of its interest in Internet Shopping Network for 75% of Styleclick, Inc., a pre-tax gain of \$3.7 million related to the Hotels.com initial public offering, and a pre-tax charge of \$145.6 million related to impairment of Styleclick goodwill.
- (6) Includes a gain of \$517.8 million, net of tax, related to the sale of capital stock of certain USA Broadcasting subsidiaries and an after-tax expense of \$9.2 million related to the cumulative effect of adoption as of January 1, 2001 of SOP 00-2, Accounting By Producers or Distribution of Films.
- (7) Earnings (loss) per common share data and shares outstanding retroactively reflect the impact of two-for one-stock splits of USA's Common Stock and USA Class B common stock paid on February 24, 2000 and March 26, 1998. All share numbers give effect to such stock splits.

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- (8) The following table adjusts USA's reported net earnings (loss) and basic and diluted net earnings (loss) per share to exclude amortization expense related to goodwill and other intangible assets with indefinite lives as if Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangibles" was effective January 1, 1999:

	Year ended December 31,		
	1999	2000	2001
(In thousands, except per share data)			
<b>EARNINGS (LOSS) FROM CONTINUING OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS</b>			
Reported earnings (loss) from continuing operations	\$ (69,212)	\$ (172,398)	\$ (186,799)
Add: goodwill amortization from continuing operations	71,859	166,705	134,077
Net earnings (loss) from continuing operations as adjusted	\$ 2,647	\$ (5,693)	\$ (52,722)
<b>Basic Earnings per share from continuing operations as adjusted:</b>			
Reported basic net earnings (loss) per share	\$ (0.21)	\$ (0.48)	\$ (0.50)
Add: goodwill amortization	\$ 0.22	\$ 0.46	\$ 0.36
Adjusted basic net earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)
<b>Diluted Earnings per share from continuing operations as adjusted:</b>			
Reported diluted net earnings (loss) per share	\$ (0.21)	\$ (0.48)	\$ (0.50)
Add: goodwill amortization	0.22	0.46	0.36
Adjusted diluted net earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>			
Income (loss) available to common shareholders	\$ (27,631)	\$ (147,983)	\$ 383,608

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	<b>Year ended December 31,</b>		
Add: goodwill amortization	104,704	206,151	176,413
Net earnings (loss) available to common shareholders as adjusted	\$ 77,073	\$ 58,168	\$ 560,021
<b>Basic Earnings (loss) per share as adjusted:</b>			
Reported basic net earnings (loss) per share	\$ (0.08)	\$ (0.41)	\$ 1.03
Add: goodwill amortization	0.32	0.57	0.47
Adjusted basic net earnings per share	\$ 0.24	\$ 0.16	\$ 1.50
<b>Diluted earnings (loss) per share:</b>			
Reported diluted net earnings per share	\$ (0.08)	\$ (0.41)	\$ 1.03
Add: goodwill amortization	0.29	0.57	0.47
Adjusted diluted net earnings per share	\$ 0.21	\$ 0.16	\$ 1.50

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**Item 8. Consolidated Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Stockholders  
USA Interactive

We have audited the accompanying consolidated balance sheets of USA Interactive (formerly USA Networks, Inc.) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Interactive and subsidiaries at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2001, the Company adopted AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films."

/s/ ERNST & YOUNG LLP

New York, New York  
January 29, 2002, except for  
Note 21 as to which the  
date is July 23, 2002

**USA INTERACTIVE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended December 31,		
	2001	2000	1999
	(In Thousands, Except Per Share Data)		
Product sales	\$ 1,938,979	\$ 1,799,932	\$ 1,370,790
Service revenue	1,529,881	1,164,680	630,318
	3,468,860	2,964,612	2,001,108
Net revenue	3,468,860	2,964,612	2,001,108
Operating costs and expenses:			
Cost of sales product sales	1,287,630	1,178,369	900,896
Cost of sales service revenue	1,043,808	821,636	417,242
Selling and marketing	441,544	350,178	265,181
General and administrative	320,844	268,233	184,429
Other operating costs	81,159	69,473	43,256
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non-cash distribution and marketing expense	26,384	11,665	
Amortization of non-cash compensation expense	7,800	12,740	6,423
Depreciation and amortization	432,139	565,742	205,843
	3,685,283	3,314,358	2,049,950
Total operating costs and expenses	3,685,283	3,314,358	2,049,950
Operating loss	(216,423)	(349,746)	(48,842)
Other income (expense):			
Interest income	26,994	38,753	26,897
Interest expense	(46,179)	(46,119)	(56,592)
Gain on sale of subsidiary stock		108,343	
Loss in unconsolidated subsidiaries and other	(51,849)	(59,326)	(4,269)
	(71,034)	41,651	(33,964)
Loss from continuing operations before income taxes and minority interest	(287,457)	(308,095)	(82,806)
Income tax expense	(2,450)	(43,850)	(28,558)
Minority interest	103,108	179,547	42,152
	(186,799)	(172,398)	(69,212)
Loss from Continuing Operations	(186,799)	(172,398)	(69,212)
Discontinued operations, net of tax	61,747	24,415	41,581
Gain on disposal of Broadcasting stations, net of tax	517,847		
	517,847		

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	Years Ended December 31,		
<b>Earnings (loss) before cumulative effect of accounting change, net of tax</b>	392,795	(147,983)	(27,631)
Cumulative effect of accounting change from discontinued operations, net of tax	(9,187)		
<b>Net Earnings (Loss)</b>	\$ 383,608	\$ (147,983)	\$ (27,631)
<b>Loss per share from continuing operations:</b>			
Basic loss per common share	\$ (.50)	\$ (.48)	\$ (.21)
Diluted loss per common share	\$ (.50)	\$ (.48)	\$ (.21)
<b>Earnings (Loss) per share, before cumulative effect of accounting change:</b>			
Basic earnings (loss) per common share	\$ 1.05	\$ (.41)	\$ (.08)
Diluted earnings (loss) per common share	\$ 1.05	\$ (.41)	\$ (.08)
<b>Net Earnings (Loss) per Share:</b>			
Basic earnings (loss) per common share	\$ 1.03	\$ (.41)	\$ (.08)
Diluted earnings (loss) per common share	\$ 1.03	\$ (.41)	\$ (.08)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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**USA INTERACTIVE AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	December 31,	
	2001	2000
	(In Thousands, Except Share Data)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 978,377	\$ 244,223
Restricted cash equivalents	9,107	2,021
Marketable securities	171,464	127,102
Accounts and notes receivable, net of allowance of \$16,252 and \$11,734, respectively	276,716	265,998
Receivable from sale of USAB	589,625	
Inventories, net	197,354	227,920
Deferred tax assets	39,946	32,842
Other current assets, net	84,727	47,911
Net current assets of discontinued operations	38,343	86,517
<b>Total current assets</b>	<b>2,385,659</b>	<b>1,034,534</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Computer and broadcast equipment	349,145	303,123
Buildings and leasehold improvements	125,491	118,054
Furniture and other equipment	91,292	73,617

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	December 31,	
	2001	2000
Land	15,665	15,658
Projects in progress	45,754	44,406
	627,347	554,858
Less accumulated depreciation and amortization	(228,360)	(145,908)
	398,987	408,950
<b>OTHER ASSETS</b>		
Goodwill	3,075,831	3,089,182
Intangible assets, net	218,651	280,666
Cable distribution fees, net	158,880	159,117
Long-term investments	64,731	48,949
Notes and accounts receivable, net of current portion (\$99,819 and \$22,575, respectively, from related parties)	108,095	27,305
Advance to Universal	39,265	95,220
Deferred charges and other, net	89,751	68,711
Net long-term assets of discontinued operations		433,656
	\$ 6,539,850	\$ 5,646,290

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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**LIABILITIES AND STOCKHOLDERS' EQUITY**

	December 31,	
	2001	2000
	(In Thousands, Except Share Data)	
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term obligations	\$ 33,519	\$ 24,748
Accounts payable, trade	309,609	251,357
Accounts payable, client accounts	102,011	97,687
Cable distribution fees payable	32,795	33,598
Deferred revenue	75,256	63,999
Income tax payable	188,806	
Other accrued liabilities	262,727	207,988
	1,004,723	679,377
<b>LONG-TERM OBLIGATIONS (net of current maturities)</b>	544,372	551,766
<b>OTHER LONG-TERM LIABILITIES</b>	26,350	23,662
<b>DEFERRED INCOME TAXES</b>	210,184	42,783
<b>MINORITY INTEREST</b>	706,688	908,831
<b>NET LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS</b>	102,032	
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock \$.01 par value; authorized 15,000,000 shares; no shares issued and outstanding		



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	<b>December 31,</b>	
	<u>                    </u>	<u>                    </u>
Common stock \$.01 par value; authorized 1,600,000,000 shares; issued and outstanding, 314,704,017 and 305,436,198 shares, respectively	3,147	3,055
Class B convertible common stock \$.01 par value; authorized, 400,000,000 shares; issued and outstanding, 63,033,452 shares	630	630
Additional paid-in capital	3,918,401	3,793,764
Retained earnings/Accumulated deficit	181,267	(202,341)
Accumulated other comprehensive loss	(11,605)	(10,825)
Treasury stock	(141,341)	(139,414)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
	<u>                    </u>	<u>                    </u>
Total stockholders' equity	3,945,501	3,439,871
	<u>                    </u>	<u>                    </u>
	<b>\$ 6,539,850</b>	<b>\$ 5,646,290</b>
	<u>                    </u>	<u>                    </u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**USA INTERACTIVE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**Total**