MOVE INC
Form 10-Q
May 07, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2010

or

o **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 000-26659

Move, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-4438337**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
910 East Hamilton Avenue Campbell, California	**95008**
(Address of Principal Executive Offices)	*(Zip Code)*

(805) 557-2300
(Registrant s Telephone Number, including Area Code:)
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether 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 þ No o

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 o No o

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.

Large Accelerated Filer o Accelerated Filer þ Non-Accelerated Filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

At May 3, 2010, the registrant had 155,940,796 shares of its common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements***

MOVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (Unaudited)	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 108,055	$ 106,847
Short-term investments	109,841	
Accounts receivable, net	10,240	10,782
Other current assets	11,506	12,101
Total current assets	239,642	129,730
Property and equipment, net	22,110	21,139
Long-term investments		111,800
Investment in unconsolidated joint venture	6,755	6,649
Goodwill, net	16,969	16,969
Intangible assets, net	3,355	3,460
Other assets	1,443	1,548
Total assets	$ 290,274	$ 291,295
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 5,106	$ 5,545
Accrued expenses	16,768	18,335
Deferred revenue	15,988	15,951
Line of credit	64,173	64,630
Total current liabilities	102,035	104,461
Other non-current liabilities	1,473	1,096
Total liabilities	103,508	105,557
Commitments and contingencies (see note 14)		
Series B convertible preferred stock	112,874	111,541
Stockholders equity:		
Series A convertible preferred stock		
Common stock	156	156

Additional paid-in capital	2,114,984	2,112,613
Accumulated other comprehensive income (loss)	471	(17,116)
Accumulated deficit	(2,041,719)	(2,021,456)
Total stockholders equity	73,892	74,197
Total liabilities and stockholders equity	$ 290,274	$ 291,295

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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MOVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share amounts) (Unaudited)	
Revenue	$ 48,643	$ 54,868
Cost of revenue	10,928	12,647
Gross profit	37,715	42,221
Operating expenses:		
Sales and marketing	18,332	20,762
Product and web site development	8,526	6,383
General and administrative	10,689	23,637
Amortization of intangible assets	105	151
Total operating expenses	37,652	50,933
Operating income (loss) from continuing operations	63	(8,712)
Interest income, net	556	135
Earnings of unconsolidated joint venture	106	
Impairment of auction rate securities	(19,559)	
Other income (expense), net	(33)	105
Loss from continuing operations before income taxes	(18,867)	(8,472)
Provision for income taxes	63	96
Loss from continuing operations	(18,930)	(8,568)
Loss from discontinued operations		(356)
Net loss	(18,930)	(8,924)
Convertible preferred stock dividend and related accretion	(1,333)	(1,298)
Net loss applicable to common stockholders	$ (20,263)	$ (10,222)

Basic and diluted loss per share applicable to common stockholders: (see note 9)				
Continuing operations	$	(0.13)	$	(0.06)
Discontinued operations				(0.00)
Basic loss per share applicable to common stockholders	$	(0.13)	$	(0.07)
Shares used to calculate basic and diluted net loss per share applicable to common stockholders:				
Basic and diluted		154,507		153,119

The accompanying notes are an integral part of these unaudited
Condensed Consolidated Financial Statements.

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MOVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2010	2009
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Loss from continuing operations	$ (18,930)	$ (8,568)
Adjustments to reconcile loss from continuing operations to net cash provided by continuing operating activities:		
Depreciation	2,601	2,619
Amortization of intangible assets	105	151
Provision for doubtful accounts	(198)	542
Impairment of auction rate securities	19,559	
Stock-based compensation and charges	2,068	10,637
Earnings of unconsolidated joint venture	(106)	
Change in market value of embedded derivative liability		(90)
Other non-cash items	(76)	(20)
Changes in operating assets and liabilities, net of discontinued operations:		
Accounts receivable	740	675
Other assets	523	(1,029)
Accounts payable and accrued expenses	(1,628)	3,984
Deferred revenue	37	(2,821)
Net cash provided by continuing operating activities	4,695	6,080
Net cash used in discontinued operating activities		(468)
Net cash provided by operating activities	4,695	5,612
Cash flows from investing activities:		
Purchases of property and equipment	(3,509)	(2,097)
Proceeds from the sale of marketable equity securities	14	
Proceeds from sales of assets		2
Net cash used in investing activities	(3,495)	(2,095)
Cash flows from financing activities:		
Proceeds from exercise of stock options and share issuances under employee stock purchase plans	303	9
Restricted cash	162	10
Proceeds from line of credit	64,700	
Principal payments on line of credit	(65,157)	
Tax payment related to net share settlements of restricted stock awards		(1,064)
Payments on capital lease obligations		(251)

Net cash provided by (used in) financing activities	8	(1,296)
Change in cash and cash equivalents	1,208	2,221
Cash and cash equivalents, beginning of period	106,847	108,935
Cash and cash equivalents, end of period	$ 108,055	$ 111,156

The accompanying notes are an integral part of these unaudited
Condensed Consolidated Financial Statements.

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MOVE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Move, Inc. and its subsidiaries (the Company) operate an online network of web sites for real estate search, finance, moving and home enthusiasts and provide a valuable resource for consumers seeking the online information and connections they need regarding real estate. The Company s flagship consumer web sites are Move.com, REALTOR.com® and Moving.com. The Company also provides lead management software for real estate agents through its Top Producer® business.

2. Principles of Consolidation and Basis of Presentation

The accompanying financial statements are consolidated and include the financial statements of Move, Inc. and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has evaluated all subsequent events through the date the financial statements were issued.

Investments in private entities where the Company holds no more than a 50% ownership interest and does not exercise control are accounted for using the equity method of accounting and the investment balance is included in investment in unconsolidated joint venture, while the Company s share of the investees results of operations is included in earnings of unconsolidated joint venture.

The Company s unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including those for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements are unaudited and, in the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 5, 2010. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year.

3. Discontinued Operations

In the second quarter of 2008, the Company decided to divest its Welcome Wagon® business. On June 22, 2009, the Company closed the sale of the business for a sales price of $2.0 million. The Company received $1.0 million in cash and a $1.0 million promissory note. The principal balance of the note is due on or before October 1, 2010. The outstanding principal bears an interest rate of 7% per annum, with quarterly interest payments due commencing on October 1, 2009. The transaction resulted in a gain on disposition of discontinued operations of $1.2 million for the nine months ended September 30, 2009.

Pursuant to ASC 205-20-45 Discontinued Operations , the Company s Consolidated Financial Statements for all periods presented reflects the reclassification of its Welcome Wagon® business as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of this business have been excluded from the respective captions in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows and have been reported as Loss from discontinued operations, net of applicable income taxes of zero; and as Net cash used in discontinued operating activities. Total revenue and loss from discontinued operations are reflected below (in thousands):

	For the Three Months Ended March 31,	
	2010	**2009**
Revenue	$	$ 5,515
Total operating expenses		(4,810)
Restructuring charges		(1,061)

Loss from discontinued operations	$		$	(356)

In the first quarter of 2009, the Company incurred a restructuring charge from discontinued operations of $1.1 million associated with lease termination charges and employee termination costs. There are no additional amounts to be paid as part of the restructuring charge as of March 31, 2010.

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4. Short-term and Long-term Investments

The following table summarizes the Company s short-term and long-term investments (in thousands):

	March 31, 2010			December 31, 2009		
	Adjusted Cost	Net Realized Loss	Carrying Value	Adjusted Cost	Net Unrealized Loss	Carrying Value
Short-term investments:						
Corporate auction rate securities	$ 129,400	$ (19,559)	$ 109,841	$	$	$
Total short-term investments	$ 129,400	$ (19,559)	$ 109,841	$	$	$
Long-term investments						
Corporate auction rate securities	$	$	$	$ 129,400	$ (17,600)	$ 111,800
Total long-term investments	$	$	$	$ 129,400	$ (17,600)	$ 111,800

The Company s short-term investments as of March 31, 2010 and long-term investments as of March 31, 2009 consisted of high-grade (primarily AAA rated) student loan auction rate securities issued by student loan funding organizations, which loans are 97% guaranteed under FFELP (Federal Family Education Loan Program). These auction rate securities (ARS) were intended to provide liquidity via an auction process that resets the interest rate, generally every 28 days, allowing investors to either roll over their holdings or sell them at par. In February 2008, auctions for the Company s investments in these securities failed to settle on their respective settlement dates. Consequently, the investments were not liquid and the Company was not going to be able to access these funds until a future auction of these investments was successful, the securities matured or a buyer was found outside of the auction process. Maturity dates for these ARS investments ranged from years 2030 to 2047 with principal distributions occurring on certain securities prior to maturity. As of December 31, 2009, the Company classified $111.8 million of the ARS investment balance as Long-term Investments because of the Company s inability to determine when these investments would become liquid.

As of December 31, 2009, the Company had recorded a temporary loss related to the ARS of $17.6 million that was included in Other Comprehensive Income on the Company s Condensed Consolidated Balance Sheet. At a board meeting on March 24, 2010, the Board of Directors and Management discussed the recent passage of the Health Care Reform Bill that contained a provision eliminating FFELP, a significant change in student loan funding. In management s opinion, this change, along with other market factors, has created additional uncertainty in the student loan auction rate securities market. As a result, the Board of Directors and Management changed its intent, which had been to hold these securities, and decided to sell the entire portfolio of ARS and, thereafter, the Company began to actively market the sale to third parties. The Company reviews its potential investment impairments in accordance with ASC 320 Investment Debt and Equity Securities and the related guidance issued by the FASB and SEC in order to determine the classification of the impairment as temporary or other-than-temporary. A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income (loss) component of stockholder s equity. An other-than-temporary impairment charge is recorded as a realized loss in the Condensed Consolidated Statement of Operations and reduces net income (loss) for the applicable accounting period. The differentiating factors between temporary and other-than-temporary impairment are primarily the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer, and the ability and intent of the holder to hold the investment until maturity or its value recovers. Prior to

March 24, 2010, the Company had not intended to sell nor was it not more likely than not that the Company would be required to sell before the recovery of its amortized cost basis and, as such, the loss was considered temporary. On March 24, 2010, as indicated above, the Company changed its intent to hold the ARS and, therefore, the impairment was reclassified to an other-than-temporary loss.

In April 2010, the Company completed a sale of the entire portfolio of ARS for $109.8 million (par value of $129.4 million) to a broker in a secondary market. As a result of the impending sale, the investments were reclassified to short-term investments as of March 31, 2010 and an other-than-temporary loss of $19.6 million was recorded as Impairment of Auction Rate Securities in the Company s Condensed Consolidated Statement of Operations for the three months ended March 31, 2010. The transaction costs of approximately $1.0 million associated with this transaction will be recorded in the quarter ended June 30, 2010.

The Company s ARS investments were measured at fair value as of March 31, 2010 and 2009. See Note 5 for additional information concerning fair value measurement of the Company s ARS investments.

5. Fair Value Measurements

Financial assets and liabilities included in the Company s financial statements and measured at fair value as of March 31, 2010 and December 31, 2009 are classified based on the fair value hierarchy in the table below (in thousands):

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	Fair Value Measurement							
	March 31, 2010				December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Description:								
Assets:								
Cash and cash equivalents (1)	$ 108,055	$ 108,055	$	$	$ 106,847	$ 106,847	$	$
Short-term investments (2)	109,841		109,841					
Long-term investments					111,800			111,800
Total assets at fair value	$ 217,896	$ 108,055	$ 109,841	$	$ 218,647	$ 106,847	$	$ 111,800

(1) Cash and cash equivalents consist primarily of treasury bills with original maturity dates of three months or less and money market funds for which we determine fair value through quoted market prices.

(2) Short-term investments consisted of student loan, FFELP-backed, ARS issued by student loan funding organizations. Prior to March 31, 2010, the Company used a discounted cash flow model to determine the estimated fair value of its investment in

ARS. The assumptions used in preparing the discounted cash flow model included estimates for interest rates, timing and amount of cash flows and the Company s expected holding period of the ARS. As discussed in Note 4, the Company completed a sale of its entire portfolio of ARS in April 2010 and determined fair value as of March 31, 2010 based on the gross proceeds received. These investments were reclassified from long-term investment to short-term investment as of March 31, 2010 based on the timing of the sale of these investments.

The following table provides a reconciliation of the beginning and ending balances for the major class of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) (in thousands):

	Long-term Investments
Balance at January 1, 2010	$ 111,800
Transfers out of Level 3	(109,841)
Total losses included in earnings	(19,559)
Total gains included in other comprehensive income	17,600

Purchases, sales, issuances and settlements, net	
Balance at March 31, 2010	$

6. Revolving Line of Credit

The Company had a revolving line of credit with a major financial institution, providing for borrowings of up to $64.7 million. The per annum interest rate was equal to the lesser of (a) the Open Federal Funds Rate plus 3.8% or (b) the financial institution s proprietary Working Capital Rate. As of March 31, 2010, the interest rate was 3.2%. The line of credit was secured by the Company s ARS investment balances. Under the terms of the line of credit, borrowings could not exceed 50% of the par value of the Company s ARS investment balances and could be limited further if the quoted market value of these securities dropped below 70% of par value. There were no debt covenants associated with the revolving line of credit. As of March 31, 2010, there was $64.2 million in outstanding borrowings against this line of credit. Subsequent to March 31, 2010, the line of credit, which expires on May 20, 2010, was paid in full.

7. Goodwill and Other Intangible Assets

The Company has both indefinite-lived and definite-lived intangibles. Indefinite-lived intangibles consist of $2.0 million of trade names and trademarks acquired during the year ended December 31, 2006. Definite-lived intangible assets consist of certain trade names, trademarks, brand names, purchased technology, and other miscellaneous agreements entered into in connection with business combinations. The definite-lived intangibles are amortized over the expected period of benefit. There are no expected residual values related to these intangible assets. Intangible assets, by category, are as follows (in thousands):

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	March 31, 2010		December 31, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Trade names, trademarks, brand names, and domain names	$ 2,530	$ 516	$ 2,530	$ 516
Purchased technology	1,400	817	1,400	767
National Association of Realtors (NAR) operating agreement	1,578	1,240	1,578	1,202
Other	1,450	1,030	1,450	1,013
Total	$ 6,958	$ 3,603	$ 6,958	$ 3,498

Amortization expense for intangible assets was $0.1 million and $0.2 million for the three months ended March 31, 2010 and 2009, respectively.

Amortization expense for the next five years is estimated to be as follows (in thousands):

Years Ended December 31,	Amount
2010 (remaining 9 months)	$312
2011	416
2012	341
2013	99
2014	66

8. Stock-Based Compensation and Charges

The Company accounts for stock issued to non-employees in accordance with the provisions of ASC 505-50 Equity-Based Payments to Non-Employees (formerly SFAS No. 123 and EITF No. 96-18).

The Company grants restricted stock awards to members of its Board of Directors as compensation (except any director who is entitled to a seat on the Board of Directors on a contractual basis). These shares, subject to certain terms and restrictions, will vest on the third anniversary of their issuance and the costs are being recognized over their respective vesting periods. During the three months ended March 31, 2009, the Company granted 60,000 shares of restricted stock to the members of the ad hoc Executive Committee of its Board of Directors. Half of these shares vested on the grant date and half of the shares vested one year from the grant date. There were 368,007 and 375,293 unvested shares of restricted stock issued to members of the Company s Board of Directors as of March 31, 2010 and 2009, respectively. Total cost recognized was $0.2 million and $0.1 million for the three months ended March 31, 2010 and 2009, respectively, and is included in stock-based compensation and charges. The Company made no grants of restricted stock awards to members of its Board of Directors during the three months ended March 31, 2010.

Restricted Stock

During the three months ended March 31, 2009, the Company issued 1,800,000 shares of restricted stock to its new Chief Executive Officer (CEO) as part of his employment agreement with the Company. These shares had a grant date fair value of $2.7 million, 700,000 of which shares vested immediately, 500,000 of which shares vested one year from the grant date and 600,000 of which shares vest two years from the grant date, subject to certain terms and restrictions. The fair value of the 700,000 immediately vested shares was recognized as stock-based compensation immediately, with the fair value of the remaining shares being amortized over their respective vesting periods. During the three months ended March 31, 2009, the CEO returned 700,000 shares of common stock, with a fair value of $1.1 million, to reimburse the Company for his share of income tax withholdings due as a result of this transaction. The $1.1 million payment to the relevant taxing authorities is reflected as a financing activity within the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2009. Total cost recognized during the three months ended March 31, 2010 and 2009 was $0.2 million and $1.3 million, respectively, and is included in stock-based compensation and charges.

During the year ended December 31, 2009, the Company issued 350,000 shares of restricted stock to two new executive officers as part of their employment agreements with the Company. These shares had an aggregate grant date fair value of $0.9 million. These shares vest in three annual installments over the three year period following their respective grant dates, subject to certain terms and restrictions. Total costs recognized during the three months ended March 31, 2010 was $0.1 million and is included in stock-based compensation and cha