

Market Leader, Inc.
Form 10-Q
August 06, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended June 30, 2010

OR

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: 000-51032

Market Leader, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: Market Leader, Inc. - Form 10-Q

Washington
(State or other jurisdiction of
incorporation or organization)

91-1982679
(IRS Employer
Identification No.)

11332 NE 122nd Way, Suite 200

Kirkland, WA
(Address of principal executive offices)

98034
(Zip Code)

(425) 952-5500

(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 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 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 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.

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 July 30, 2010, there were outstanding 24,596,508 shares of the registrant's common stock, \$0.001 par value, which is the only class of common stock of the registrant.

Table of Contents

Market Leader, Inc.

FORM 10-Q

Index

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	17
<u>Item 4. Controls and Procedures</u>	17
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	17
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	17
<u>Item 6. Exhibits</u>	17
<u>SIGNATURES</u>	18

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**
Market Leader, Inc.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(unaudited)**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues	\$ 5,815	\$ 5,947	\$ 11,611	\$ 12,476
Expenses:				
Sales and marketing (1)	5,219	4,676	10,141	9,418
Technology and product development (1)	1,303	1,278	2,668	2,685
General and administrative (1)	1,357	1,744	3,070	3,713
Depreciation and amortization of property and equipment (2)	619	780	1,283	1,583
Amortization of acquired intangible assets	479	480	958	962
Total expenses	8,977	8,958	18,120	18,361
Loss from operations	(3,162)	(3,011)	(6,509)	(5,885)
Equity in loss of unconsolidated subsidiary	(55)	(61)	(191)	(155)
Interest income and expense, net	90	59	127	154
Loss before income tax expense	(3,127)	(3,013)	(6,573)	(5,886)
Income tax expense	1	2	4	4
Net loss	(3,128)	(3,015)	(6,577)	(5,890)
Net loss per share basic and diluted	\$ (0.13)	\$ (0.13)	\$ (0.27)	\$ (0.24)

(1) Stock-based compensation is included in the expense line items above in the following amounts:

	2010	2009	2010	2009
Sales and marketing	\$ 111	\$ 184	\$ 243	\$ 388
Technology and product development	47	(50)	101	33
General and administrative	293	401	603	825
	\$ 451	\$ 535	\$ 947	\$ 1,246

(2) Depreciation and amortization of property and equipment is allocated as follows:

Edgar Filing: Market Leader, Inc. - Form 10-Q

	2010	2009	2010	2009
Technology and product development	\$ 566	\$ 595	\$ 1,138	\$ 1,210
General and administrative	53	185	145	373
	\$ 619	\$ 780	\$ 1,283	\$ 1,583

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Market Leader, Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share data)****(unaudited)**

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,835	\$ 25,434
Short-term investments	39,090	25,999
Trade accounts receivable, net of allowance of \$11 and \$29, respectively	17	39
Income tax receivable		4,920
Prepaid expenses and other current assets	852	918
Total current assets	52,794	57,310
Property and equipment, net of accumulated depreciation of \$15,716 and \$14,433, respectively	4,194	4,472
Acquired intangible assets, net of accumulated amortization of \$7,385 and \$6,427, respectively	1,306	2,265
Investment in unconsolidated subsidiary	149	340
Total assets	\$ 58,443	\$ 64,387
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,026	\$ 916
Accrued compensation and benefits	1,590	1,494
Accrued expenses and other current liabilities	523	812
Deferred rent, current portion	214	214
Deferred revenue	389	405
Total current liabilities	3,742	3,841
Deferred rent, less current portion	665	753
Total liabilities	4,407	4,594
Shareholders' equity:		
Preferred stock, par value \$0.001 per share, authorized 30,000,000 shares; none issued and outstanding at June 30, 2010 and December 31, 2009, respectively		
Common stock, par value \$0.001 per share, stated at amounts paid in; authorized 120,000,000 shares; issued and outstanding 24,596,508 and 24,409,431 shares at June 30, 2010 and December 31, 2009, respectively	71,040	70,220
Accumulated deficit	(17,004)	(10,427)
Total shareholders' equity	54,036	59,793
Total liabilities and shareholders' equity	\$ 58,443	\$ 64,387

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Market Leader, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (6,577)	\$ (5,890)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	1,283	1,583
Amortization of acquired intangible assets	958	962
Stock-based compensation	947	1,246
Equity in loss of unconsolidated subsidiary	191	155
Changes in certain assets and liabilities, net of acquisitions:		
Accounts receivable	22	23
Income tax receivable	4,914	(4)
Prepaid expenses and other assets	61	284
Accounts payable	100	(172)
Accrued compensation and benefits	96	(654)
Accrued expenses and other current liabilities	(170)	(57)
Deferred rent	(88)	463
Deferred revenue	(16)	170
Net cash provided by (used in) operating activities	1,721	(1,891)
Cash flows from investing activities:		
Purchases of short-term investments	(27,868)	(19,981)
Sales of short-term investments	14,800	10,000
Purchases of property and equipment	(1,078)	(1,425)
Payments related to the Realty Generator acquisition		(155)
Net cash used in investing activities	(14,146)	(11,561)
Cash flows from financing activities:		
Payment of taxes due upon vesting of restricted stock	(174)	(41)
Proceeds from exercises of stock options		45
Net cash (used in) provided by financing activities	(174)	4
Net decrease in cash and cash equivalents	(12,599)	(13,448)
Cash and cash equivalents at beginning of period	25,434	47,668
Cash and cash equivalents at end of period	\$ 12,835	\$ 34,220

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Market Leader, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

(unaudited)

Note 1: Summary of Significant Accounting Policies

Nature of Operations