

TrueCar, Inc.  
Form 10-Q  
August 14, 2014  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended June 30, 2014

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

Commission File Number: 001-36449

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TRUECAR, INC.

(Exact name of registrant as specified in its charter)

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Delaware	04 3807511
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

120 Broadway, Suite 200

Santa Monica, California 90401

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(800) 200 2000

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

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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

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 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   Smaller reporting company  
(do not check if a  
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 August 8, 2014, 76,854,837 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, 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 customer base;
- our anticipated growth and growth strategies and our ability to effectively manage that growth;
- our ability to drive adoption of our services;
- our failure 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 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)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 111,845	\$ 43,819
Restricted cash — current	2,000	2,000
Accounts receivable, net of allowances of \$1,490 and \$2,184 at June 30, 2014 and December 31, 2013, respectively (includes related party receivables of \$812 and \$431 at June 30, 2014 and December 31, 2013, respectively)	24,829	18,803
Notes receivable from related parties — current	296	178
Prepaid expenses (includes related party prepaid expenses of \$1,864 at June 30, 2014)	6,866	3,550
Other current assets (includes related party receivables of \$363 at December 31, 2013)	860	1,226
Total current assets	146,696	69,576
Property and equipment, net	17,104	15,238
Goodwill	53,270	53,270
Intangible assets, net	30,005	31,834
Notes receivable from related parties	—	2,682
Other assets	518	2,150
Total assets	\$ 247,593	\$ 174,750
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of \$1,307 and \$1,161 at June 30, 2014 and December 31, 2013, respectively)	\$ 9,229	\$ 9,804
Accrued employee expenses	10,028	10,129
Revolving line of credit	—	4,764
Other accrued expenses (includes related party payables of \$150 and \$259 at June 30, 2014 and December 31, 2013, respectively)	10,989	6,242
Total current liabilities	30,246	30,939
Deferred tax liabilities	2,104	1,791
Other liabilities	521	616
Total liabilities	32,871	33,346
Commitments and contingencies (Note 7)		
Series A convertible preferred stock — \$0.0001 par value; 4,500,000 shares authorized at December 31, 2013; no shares and 2,857,143 shares issued and outstanding at	—	29,224

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June 30, 2014 and December 31, 2013, respectively

Stockholders' Equity

Preferred stock — \$0.0001 par value; 20,000,000 shares authorized at June 30, 2014; no shares issued and outstanding at June 30, 2014 and December 31, 2013	—	—
Common stock — \$0.0001 par value; 1,000,000,000 shares authorized at June 30, 2014 and 150,000,000 shares authorized at December 31, 2013; 76,814,334 and 59,955,343 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	8	6
Additional paid-in capital	402,229	275,803
Notes receivable from related parties	—	(1,069)
Accumulated deficit	(187,515)	(162,560)
Total stockholders' equity	214,722	112,180
Total liabilities, convertible preferred stock and stockholders' equity	\$ 247,593	\$ 174,750

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 50,497	\$ 31,223	\$ 94,427	\$ 56,266
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party expenses of \$634 for the three months ended June 30, 2013, and \$405 and \$1,162 for six months ended June 30, 2014 and 2013, respectively)	4,137	3,673	7,858	7,435
Sales and marketing (includes related party expenses of \$6,789 and \$2,040 for the three months ended June 30, 2014 and 2013, and \$11,034 and \$3,447 for six months ended June 30, 2014 and 2013, respectively)	33,292	15,626	61,059	29,409
Technology and development	8,513	5,618	15,843	11,422
General and administrative	16,439	6,629	27,955	12,942
Depreciation and amortization	2,972	2,868	6,086	5,934
Total costs and operating expenses	65,353	34,414	118,801	67,142
Loss from operations	(14,856)	(3,191)	(24,374)	(10,876)
Interest income	10	29	27	61
Interest expense	(131)	(510)	(301)	(1,751)
Other income	10	6	10	14
Loss before provision for income taxes	(14,967)	(3,666)	(24,638)	(12,552)
Provision for income taxes	67	136	317	273
Net loss	\$ (15,034)	\$ (3,802)	\$ (24,955)	\$ (12,825)
Net loss per share:				
Basic and diluted	\$ (0.22)	\$ (0.07)	\$ (0.39)	\$ (0.22)
Weighted average common shares outstanding, basic and diluted	67,784	58,313	63,962	57,231
Other comprehensive loss:				
Unrealized (loss) gain on marketable securities	—	—	—	—
Comprehensive loss	\$ (15,034)	\$ (3,802)	\$ (24,955)	\$ (12,825)

See accompanying notes to condensed consolidated financial statements.





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TRUECAR, INC.

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands except share data)

(Unaudited)

	Common Stock Shares	Amount	APIC	Notes Receivable from Related Parties	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2013	59,955,343	\$ 6	\$ 275,803	\$ (1,069)	\$ (162,560)	\$ 112,180
Net loss	—	—	—	—	(24,955)	(24,955)
Issuance of common stock in connection with initial public offering, net of underwriting discounts and offering costs	8,941,250	1	69,150	—	—	69,151
Conversion of Series A convertible preferred stock in connection with initial public offering	2,857,143	—	29,224	—	—	29,224
Stock-based compensation	—	—	12,154	—	—	12,154
Issuance of warrants in connection with marketing agreements	—	—	4,668	—	—	4,668
Exercise of warrants to purchase common stock	3,319,540	1	9,460	—	—	9,461
Exercise of options to purchase common stock	1,741,058	—	1,760	—	—	1,760
Imputed interest on notes receivable	—	—	10	—	—	10
Interest income on notes receivable	—	—	—	(3)	—	(3)
Repayment of notes receivable	—	—	—	1,072	—	1,072
Balance at June 30, 2014	76,814,334	\$ 8	\$ 402,229	\$ —	\$ (187,515)	\$ 214,722

See accompanying notes to condensed consolidated financial statements.



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TRUECAR, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Six Months Ended	
	June 30,	2013
	2014	2013
Cash flows from operating activities		
Net loss	\$ (24,955)	\$ (12,825)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,875	5,609
Deferred income taxes	317	271
Bad debt expense and other reserves	109	153
Stock-based compensation	11,540	3,616
Increase in fair value of contingent consideration liability	—	48
Common stock warrant expense	4,668	1,262
Imputed interest on notes receivable	10	62
Interest income on notes receivable	(18)	(100)
Interest expense on note payable	—	805
Accretion of beneficial conversion feature on convertible notes payable and discount on revolving line of credit	236	945
Loss on disposal of fixed assets	211	325
Changes in operating assets and liabilities:		
Accounts receivable	(6,183)	(4,317)
Prepaid expenses	(3,319)	(2,953)
Other current assets	457	(203)
Other assets	(62)	(30)
Accounts payable	491	(1,315)
Accrued employee expenses	(410)	2,521
Other accrued expenses	4,700	178
Other liabilities	(97)	(175)
Net cash used in operating activities	(6,430)	(6,123)
Cash flows from investing activities		
Change in restricted cash	—	2,500
Purchase of property and equipment	(4,790)	(3,320)
Purchase of intangible assets	(350)	—
Notes receivable from related parties	(60)	—
Repayment of notes receivable from related parties	3,761	—
Net cash used in investing activities	(1,439)	(820)
Cash flows from financing activities		
Proceeds from initial public offering, net of underwriting discounts	69,674	—
Repayments under credit agreement	(5,000)	—

Repurchase of vested common stock option awards	—	(2,000)
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