

Edgar Filing: TrueCar, Inc. - Form 10-Q

TrueCar, Inc.  
Form 10-Q  
November 08, 2018

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 September 30, 2018

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

Commission File Number: 001-36449

TRUECAR, INC.  
(Exact name of registrant as specified in its charter)

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

120 Broadway, Suite 200  
Santa Monica, California 90401  
(800) 200-2000  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 x No ..

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 x No ..

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

Large accelerated filer x Accelerated filer ..  
Non-accelerated filer .. Smaller reporting company ..

(Do not check if a smaller reporting company) Emerging growth company ..

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ..

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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 November 2, 2018, 104,004,690 shares of the registrant's common stock were outstanding.

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TRUECAR, INC.  
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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 (the “Exchange Act”), 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 “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “likely,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “target,” “will,” “would” or the negatives of those terms. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance and our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses and ability to grow revenue, scale our business, generate cash flow, fulfill our mission and achieve and maintain future profitability;
- our relationship with key industry participants, including car dealers and automobile manufacturers;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- the effectiveness of investments in dealer relationships, consumer messaging and our technology platform and their effect on our revenue;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs and our ability to successfully monetize those products and services;
- maintaining and expanding our customer base in key geographies, including our ability to increase the number of high-volume brand dealers in our network generally and in key geographies;
- our reliance on our third-party service providers;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and growth strategies, including our ability to increase close rates and the rate at which site visitors prospect with a TrueCar certified dealer;
- our ability to successfully increase dealer subscription rates, and manage dealer churn, as the number of dealers on subscription billing arrangements increases relative to those on a pay-per-sale billing model;
- our ability to attract significant automobile manufacturers to participate, and remain participants, in our incentive programs;
- our ability to successfully scale our automotive trade-in program to a nationwide offering;
- our ability to anticipate or adapt to future changes in our industry;
- the impact on our business of seasonality, cyclical trends affecting the overall economy and actual or threatened severe weather events;
- our ability to hire and retain necessary qualified employees, including anticipated additions to our dealer, product and technology teams;
- our ability to hire a permanent chief financial officer and integrate him or her and other recent and future additions to our management team;
- our continuing ability to provide customers access to our products;
- our ability to successfully complete our technology replatforming project in a timely manner and leverage that success to enhance our customer experience and launch new product offerings;
- the evolution of technology affecting our products, services and markets;
- our ability to adequately protect our intellectual property;
- the anticipated effect on our business of litigation to which we are a party;
- our ability to navigate changes in domestic or international economic, political or business conditions, including changes in interest rates, consumer demand and import tariffs;
- our ability to stay abreast of, and in compliance with, new or modified laws and regulations that currently apply or become applicable to our business, including newly-enacted and rapidly-changing data protection and net neutrality laws and regulations and changes in applicable tax laws and regulations;
- the continued expense and administrative workload associated with being a public company;
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failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;

our liquidity and working capital requirements;

the estimates and estimate methodologies used in preparing our consolidated financial statements;

the future trading prices of our common stock and the impact of securities analysts' reports on these prices;

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our plans to invest in new businesses, products, services and technologies, systems and infrastructure, including potential investments and acquisitions;  
the preceding and other factors discussed in Part II, Item 1A, “Risk Factors,” and in other reports we may file with the Securities and Exchange Commission from time to time; and  
the factors set forth in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

TRUECAR, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except par value and share data)  
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$217,749	\$197,762
Accounts receivable, net of allowances of \$3,006 and \$3,030 at September 30, 2018 and December 31, 2017, respectively (includes related party receivables of \$361 and \$169 at September 30, 2018 and December 31, 2017, respectively)	47,425	39,169
Prepaid expenses	9,291	5,475
Other current assets	5,806	1,145
Total current assets	280,271	243,551
Property and equipment, net	69,174	70,710
Goodwill	53,270	53,270
Intangible assets, net	13,016	15,912
Other assets	5,113	1,391
Total assets	\$420,844	\$384,834
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of \$5,659 and \$3,200 at September 30, 2018 and December 31, 2017, respectively)	\$26,933	\$18,620
Accrued employee expenses	5,034	6,568
Accrued expenses and other current liabilities (includes related party accrued expenses of \$230 and \$52 at September 30, 2018 and December 31, 2017, respectively)	17,561	12,790
Total current liabilities	49,528	37,978
Deferred tax liabilities	605	812
Lease financing obligations, net of current portion	22,959	29,129
Other liabilities	3,910	3,797
Total liabilities	77,002	71,716
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock — \$0.0001 par value; 20,000,000 shares authorized at September 30, 2018 and December 31, 2017, respectively; no shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock — \$0.0001 par value; 1,000,000,000 shares authorized at September 30, 2018 and December 31, 2017; 103,819,348 and 100,428,656 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	10	10
Additional paid-in capital	710,921	664,192
Accumulated deficit	(367,089 )	(351,084 )
Total stockholders' equity	343,842	313,118
Total liabilities and stockholders' equity	\$420,844	\$384,834
See accompanying notes to condensed consolidated financial statements.		





TRUECAR, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(in thousands except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues	\$93,586	\$82,440	\$262,497	\$240,016
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below)	7,737	7,088	22,941	20,610
Sales and marketing (includes related party expenses of \$6,514 and \$4,207 for the three months ended September 30, 2018 and 2017, and \$16,332 and \$12,750 for the nine months ended September 30, 2018 and 2017, respectively)	57,031	48,383	157,463	137,498
Technology and development	15,345	15,357	46,633	43,117
General and administrative	14,030	14,993	41,005	44,034
Depreciation and amortization	5,992	5,765	16,808	17,517
Total costs and operating expenses	100,135	91,586		