LendingTree, Inc.
Form 10-Q
July 28, 2017
Table of Contents

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2017
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 No. 001-34063

LendingTree, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	26-2414818
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11115 Rushmore Drive, Charlotte, North Carolina 28277
(Address of principal executive offices)
(704) 541-5351
(Registrant's telephone number, including area code)

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 ý 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 (§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 ý No o
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an 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 o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

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. 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 ý
As of July 24, 2017, there were 11,998,534 shares of the Registrant's common stock, par value $.01 per share, outstanding, excluding treasury shares.

TABLE OF CONTENTS

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Revenue	$152,773	$94,290	$285,288	$189,003
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	4,164	3,464	7,755	6,937
Selling and marketing expense	109,141	64,538	202,392	129,597
General and administrative expense	12,094	8,553	23,641	17,812
Product development	4,064	3,781	7,687	7,666
Depreciation	1,808	1,174	3,511	2,172
Amortization of intangibles	2,608	72	5,217	97
Change in fair value of contingent consideration	9,393	—	18,139	—
Severance	247	72	404	72
Litigation settlements and contingencies	285	(79)	689	90
Total costs and expenses	143,804	81,575	269,435	164,443
Operating income	8,969	12,715	15,853	24,560
Other income (expense), net:				
Interest expense, net	(1,079)	(141)	(1,244)	(283)
Other income	13	—	13	—
Income before income taxes	7,903	12,574	14,622	24,277
Income tax benefit (expense)	104	(3,572)	1,183	(8,370)
Net income from continuing operations	8,007	9,002	15,805	15,907
Loss from discontinued operations, net of tax	(689)	(1,150)	(1,621)	(2,353)
Net income and comprehensive income	$7,318	$7,852	$14,184	$13,554
Weighted average shares outstanding:				
Basic	11,965	11,795	11,896	11,863
Diluted	13,604	12,730	13,552	12,800
Income per share from continuing operations:				
Basic	$0.67	$0.76	$1.33	$1.34
Diluted	$0.59	$0.71	$1.17	$1.24
Loss per share from discontinued operations:				
Basic	$(0.06)	$(0.10)	$(0.14)	$(0.20)
Diluted	$(0.05)	$(0.09)	$(0.12)	$(0.18)
Net income per share:				
Basic	$0.61	$0.67	$1.19	$1.14
Diluted	$0.54	$0.62	$1.05	$1.06

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
	(in thousands, except par value and share amounts)	
ASSETS:		
Cash and cash equivalents	$355,636	$ 91,131
Restricted cash and cash equivalents	4,089	4,089
Accounts receivable (net of allowance of $1,010 and $1,059, respectively)	52,217	41,382
Prepaid and other current assets	4,392	4,021
Total current assets	416,334	140,623
Property and equipment (net of accumulated depreciation of $12,064 and $9,739, respectively)	35,487	35,462
Goodwill	99,694	56,457
Intangible assets, net	85,393	71,684
Deferred income tax assets	18,517	14,610
Other non-current assets	849	810
Non-current assets of discontinued operations	3,781	3,781
Total assets	$660,055	$ 323,427
LIABILITIES:		
Accounts payable, trade	$1,885	$ 5,593
Accrued expenses and other current liabilities	68,960	49,403
Current contingent consideration	23,942	—
Current liabilities of discontinued operations (Note 14)	12,899	11,711
Total current liabilities	107,686	66,707
Long-term debt	232,095	—
Non-current contingent consideration	22,785	23,600
Other non-current liabilities	1,559	1,685
Total liabilities	364,125	91,992
Commitments and contingencies (Note 11)		
SHAREHOLDERS' EQUITY:		
Preferred stock $.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock $.01 par value; 50,000,000 shares authorized; 14,162,254 and 13,955,378 shares issued, respectively, and 11,998,509 and 11,791,633 shares outstanding, respectively	142	140
Additional paid-in capital	1,068,970	1,018,010
Accumulated deficit	(709,748)	(722,630)
Treasury stock; 2,163,745 and 2,163,745 shares, respectively	(64,085)	(64,085)
Noncontrolling interest (Note 5)	651	—
Total shareholders' equity	295,930	231,435
Total liabilities and shareholders' equity	$660,055	$ 323,427

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

	Total	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Noncontrolling Interest
		Number of Shares	Amount			Number of Shares	Amount	
	(in thousands)							
Balance as of December 31, 2016	$231,435	13,955	$ 140	$1,018,010	$(722,630)	2,164	$(64,085)	$ —
Net income and comprehensive income	14,184	—	—	—	14,184	—	—	—
Non-cash compensation	5,130	—	—	5,130	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	1,217	207	2	1,215	—	—	—	
Cumulative effect adjustment due to ASU 2016-09	985	—	—	2,287	(1,302)	—	—	—
Issuance of 0.625% Convertible Senior Notes, net	60,418	—	—	60,418	—	—	—	—
Convertible note hedge	(61,500)	—	—	(61,500)	—	—	—	—
Sale of warrants	43,410	—	—	43,410	—	—	—	—
Noncontrolling interest (Note 5)	651							651
Balance as of June 30, 2017	$295,930	14,162	$ 142	$1,068,970	$(709,748)	2,164	$(64,085)	$ 651

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
	(in thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net income and comprehensive income	$14,184	$13,554
Less: Loss from discontinued operations, net of tax	1,621	2,353
Income from continuing operations	15,805	15,907
Adjustments to reconcile income from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Loss on disposal of fixed assets	309	267
Amortization of intangibles	5,217	97
Depreciation	3,511	2,172
Rental amortization of intangibles and depreciation	525	—
Non-cash compensation expense	5,130	5,062
Deferred income taxes	(6,319)	(781)
Change in fair value of contingent consideration	18,139	—
Bad debt expense	96	387
Amortization of debt issuance costs	231	122
Amortization of convertible debt discount	909	—
Changes in current assets and liabilities:		
Accounts receivable	(10,052)	(12,122)
Prepaid and other current assets	(323)	(1,681)
Accounts payable, accrued expenses and other current liabilities	16,852	(1,713)
Income taxes payable	(1,524)	6,825
Other, net	(282)	373
Net cash provided by operating activities attributable to continuing operations	48,224	14,915
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(3,611)	(6,452)
Acquisition of DepositAccounts	(24,000)	—
Acquisition of MagnifyMoney, net of cash acquired	(29,415)	—
Acquisition of a business	—	(4,500)
Decrease in restricted cash	—	2,454
Net cash used in investing activities attributable to continuing operations	(57,026)	(8,498)
Cash flows from financing activities attributable to continuing operations:		
Proceeds from exercise of stock options, net of payments related to net-share settlement of stock-based compensation	1,274	(2,808)
Proceeds from the issuance of 0.625% Convertible Senior Notes	300,000	—
Payment of convertible note hedge transactions	(61,500)	—
Proceeds from the sale of warrants	43,410	—
Payment of equity offering costs	—	(23)
Payment of debt issuance costs	(8,572)	(8)
Purchase of treasury stock	—	(48,090)
Net cash provided by (used in) financing activities attributable to continuing operations	274,612	(50,929)
Total cash provided by (used in) continuing operations	265,810	(44,512)
Net cash used in operating activities attributable to discontinued operations	(1,305)	(2,852)

Total cash used in discontinued operations	(1,305)	(2,852)
Net increase (decrease) in cash and cash equivalents	264,505	(47,364)
Cash and cash equivalents at beginning of period	91,131	206,975
Cash and cash equivalents at end of period	$355,636	$159,611

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—ORGANIZATION

Company Overview

LendingTree, Inc. ("LendingTree" or the "Company"), is the parent of LendingTree, LLC and several companies owned by LendingTree, LLC.

LendingTree operates what it believes to be the leading online loan marketplace for consumers seeking loans and other credit-based offerings. The Company offers consumers tools and resources, including free credit scores, that facilitate comparison-shopping for mortgage loans, home equity loans, reverse mortgage loans, auto loans, credit cards, personal loans, deposit accounts, student loans, small business loans and other related offerings. The Company primarily seeks to match in-market consumers with multiple lenders on its marketplace who can provide them with competing quotes for the loans, deposits or credit-based offerings they are seeking. The Company also serves as a valued partner to lenders seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer loan inquiries it generates with these lenders.

The consolidated financial statements include the accounts of LendingTree and all its wholly-owned entities. Intercompany transactions and accounts have been eliminated.

Discontinued Operations

The LendingTree Loans business is presented as discontinued operations in the accompanying consolidated balance sheets, consolidated statements of operations and comprehensive income and consolidated cash flows for all periods presented. The notes accompanying these consolidated financial statements reflect the Company's continuing operations and, unless otherwise noted, exclude information related to the discontinued operations. See Note 14—Discontinued Operations for additional information.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements as of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016, respectively, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's financial position for the periods presented. The results for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017, or any other period. The accompanying consolidated balance sheet as of December 31, 2016 was derived from audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report"). The accompanying consolidated financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto included in the 2016 Annual Report.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

Management is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with GAAP. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements, including discontinued operations, include: loan loss obligations; the recoverability of long-lived assets, goodwill and intangible assets; the determination of income taxes payable and deferred income taxes, including related valuation allowances; contingent consideration related to business combinations; litigation accruals; various other allowances, reserves and accruals; and assumptions related to the determination of stock-based compensation.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain Risks and Concentrations
LendingTree's business is subject to certain risks and concentrations including dependence on third-party technology providers, exposure to risks associated with online commerce security and credit card fraud.
Financial instruments, which potentially subject the Company to concentration of credit risk at June 30, 2017, consist primarily of cash and cash equivalents and accounts receivable, as disclosed in the consolidated balance sheet. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation insurance limits, but are maintained with quality financial institutions of high credit. The Company generally requires certain network lenders to maintain security deposits with the Company, which in the event of non-payment, would be applied against any accounts receivable outstanding.
Due to the nature of the mortgage lending industry, interest rate fluctuations may negatively impact future revenue from the Company's lender marketplace.
Lenders participating on the Company's marketplace can offer their products directly to consumers through brokers, mass marketing campaigns or through other traditional methods of credit distribution. These lenders can also offer their products online, either directly to prospective borrowers, through one or more online competitors, or both. If a significant number of potential consumers are able to obtain loans from participating lenders without utilizing the Company's services, its ability to generate revenue may be limited. Because the Company does not have exclusive relationships with the lenders whose loan offerings are offered on its online marketplace, consumers may obtain offers and loans from these lenders without using its service.
The Company maintains operations solely in the United States.
Litigation Settlements and Contingencies
Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements, in addition to legal fees incurred in connection with various patent litigation claims the Company pursues against others.
Recent Accounting Pronouncements
In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-09 which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions or the classification of the award changes as a result of the change in terms or conditions. This ASU is effective prospectively for annual periods beginning on or after December 15, 2017, with early adoption permitted. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.
In January 2017, the FASB issued ASU 2017-04 which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (Step 2 of the goodwill impairment test). Instead, an impairment charge will be based on the excess of the carrying amount over the fair value. This ASU is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.
In November 2016, the FASB issued ASU 2016-18 which is intended to reduce the diversity in the classification and presentation of changes in restricted cash in the statement of cash flows, by requiring entities to combine the changes in cash and cash equivalents and restricted cash in one line. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. In addition, if more than one line item is recorded on the balance sheet for cash and cash equivalents and restricted cash, a reconciliation between the statement of cash flows and balance sheet is required. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The retrospective transition method, requiring adjustment to all comparative periods presented, is required. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.

In August 2016, the FASB issued ASU 2016-15 which addresses eight cash flow classification issues, eliminating the diversity in practice. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The retrospective transition method, requiring adjustment to all comparative periods presented, is required unless it is impracticable for some of the amendments, in which case those amendments would be prospectively applied as of the earliest date practicable. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.

In March 2016, the FASB issued ASU 2016-09 which simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements, including the income tax consequences, classification of awards as either equity or liabilities, forfeitures and classification of excess tax benefits on the statement of cash flows. This ASU was effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption permitted. Upon adoption, any adjustments are to be reflected as of the beginning of the fiscal year of adoption. The Company adopted this ASU during the first quarter of 2017.

The new standard requires excess tax benefits and deficiencies, which arise due to the difference in the measure of stock compensation and the amount deductible for tax purposes, to be recorded in earnings in income tax expense. These excess tax benefits and deficiencies were generally previously recorded in additional paid-in capital and had no impact on net income. The standard required prospective adoption for this portion of the new guidance. During the second quarter and first six months of 2017, the Company recognized \$3.8 million and \$7.6 million, respectively, of excess tax benefit in income tax expense in the accompanying consolidated statements of operations and comprehensive income. Additionally, the new standard requires the excess tax benefits and deficiencies to be classified as an operating activity in the accompanying consolidated statements of cash flows. These excess tax benefits and deficiencies were previously recorded as a financing activity in the statement of cash flows. The standard allowed for either prospective or retrospective adoption for the change in presentation in the statement of cash flows. The Company elected to retrospectively adopt the classification change in the statement of cash flows. Accordingly, prior periods have been adjusted, which increased the cash provided by operating activities and decreased the cash provided by financing activities by \$4.1 million in the first six months of 2016 in the accompanying consolidated statements of cash flows. The standard also allows for an election by the Company to either estimate forfeitures, as required under previous guidance, or recognize forfeitures when they occur. The Company elected to recognize forfeitures of stock awards as they occur, with the modified retrospective transition method required. Accordingly, the Company recognized a \$1.4 million cumulative-effect adjustment to retained earnings as of January 1, 2017.

In February 2016, the FASB issued ASU 2016-02 related to leases. This ASU requires the recognition of a right-of-use lease asset and a lease liability by lessees for all leases greater than one year in duration. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. The guidance must be adopted using a modified retrospective transition. The Company is evaluating the impact this ASU will have on its consolidated financial statements and whether to early adopt.

In May 2014, the FASB issued ASU 2014-09 related to revenue recognition. This ASU was initiated as a joint project between the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and international financial reporting standards ("IFRS"). This guidance will supersede the existing revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition and was set to be effective for annual reporting periods beginning after December 15, 2016. However, in July 2015, the FASB deferred the effective date by one year, such that the standard will be effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date of December 15, 2016. The ASU can be applied (i) retrospectively to each prior period presented or (ii) retrospectively with the cumulative effect of initially adopting the ASU recognized at the date of initial application. In March 2016, the FASB issued ASU 2016-08, which clarifies the principal versus agent guidance under ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which clarifies the identification of distinct performance obligations in a contract. In May 2016, the FASB issued ASU 2016-12, which clarifies the guidance on assessing collectability, presenting sales taxes, measuring noncash consideration and certain other transition matters. The clarification ASUs must be adopted concurrently with the adoption of ASU 2014-09. The Company is evaluating the impact these ASUs will have on its consolidated financial statements and which implementation method to apply.

NOTE 3—RESTRICTED CASH

Restricted cash and cash equivalents consists of the following (in thousands):

	June 30, 2017	December 31, 2016
Cash in escrow from sale of LendingTree Loans [(a)]	$ 4,032	$ 4,032
Other	57	57
Total restricted cash and cash equivalents	$ 4,089	$ 4,089

9

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Home Loan Center, Inc. ("HLC"), a subsidiary of the Company, continues to be liable for certain indemnification obligations, repurchase obligations and premium repayment obligations following the sale of substantially all of the operating assets of its LendingTree Loans business in the second quarter of 2012.

NOTE 4—GOODWILL AND INTANGIBLE ASSETS

The balance of goodwill, net is as follows (in thousands):

	Goodwill	Accumulated Impairment Loss	Net Goodwill
Balance at December 31, 2016	$539,545	$(483,088)	$56,457
Acquisition of DepositAccounts	$19,389	—	$19,389
Acquisition of MagnifyMoney	$23,848	—	$23,848
Balance at June 30, 2017	$582,782	$(483,088)	$99,694

The balance of intangible assets, net is as follows (in thousands):

	June 30, 2017	December 31, 2016
Intangible assets with indefinite lives	$10,142	$ 10,142
Intangible assets with definite lives, net	75,251	61,542
Total intangible assets, net	$85,393	$ 71,684

Goodwill and Indefinite-Lived Intangible Assets

The Company's goodwill is associated with its one reportable segment. Intangible assets with indefinite lives relate to the Company's trademarks.

Intangible Assets with Definite Lives

Intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net
Technology	$37,100	$ (4,213)	$32,887
Customer lists	29,800	(1,851)	27,949
Trademarks and tradenames	6,342	(1,387)	4,955
Tenant leases	2,030	(374)	1,656
Website content	7,800	—	7,800
Other	250	(246)	4
Balance at June 30, 2017	$83,322	$ (8,071)	$75,251

	Cost	Accumulated Amortization	Net
Technology	$28,300	$ (659)	$27,641
Customer lists	28,100	(639)	27,461
Trademarks and tradenames	5,342	(937)	4,405
Tenant leases	2,030	—	2,030
Other	250	(245)	5
Balance at December 31, 2016	$64,022	$ (2,480)	$61,542

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on balances as of June 30, 2017, future amortization is estimated to be as follows (in thousands):

	Amortization Expense
Remainder of current year	$ 8,001
Year ending December 31, 2018	15,871
Year ending December 31, 2019	15,617
Year ending December 31, 2020	13,435
Year ending December 31, 2021	5,313
Thereafter	17,014
Total intangible assets with definite lives, net	$ 75,251

NOTE 5—BUSINESS ACQUISITION

CompareCards

On November 16, 2016, the Company acquired all of the membership interests of Iron Horse Holdings, LLC, which does business under the name CompareCards ("CompareCards"). CompareCards is an online marketing platform for credit cards, which the Company is utilizing to grow its existing credit card business. The Company paid $80.7 million in initial cash consideration and will make two earnout payments, each ranging from zero to $22.5 million, based on the amount of earnings before interest, taxes, depreciation and amortization CompareCards generates during the periods of January 1, 2017 through December 31, 2017 and January 1, 2018 through December 31, 2018, or up to $45.0 million in aggregate payments (the “Earnout Payments”). The purchase price for the acquisition is $103.8 million comprised of an upfront cash payment of $80.7 million on November 16, 2016 and $23.1 million for the estimated fair value of the Earnout Payments at the time of closing the acquisition.

As of June 30, 2017, the estimated fair value of the Earnout Payments totaled $41.2 million, $21.7 million of which is included in current contingent consideration and $19.5 million of which is included in non-current contingent consideration in the accompanying consolidated balance sheet. The estimated fair value of the Earnout Payments is determined using an option pricing model. The estimated value of the Earnout Payments is based upon available information and certain assumptions, known at the time of this report, which management believes are reasonable. Any differences in the actual Earnout Payments from the current estimated fair value of the Earnout Payments will be recorded in operating income (expense) in the consolidated statements of operations. During the second quarter and first six months of 2017, the Company recorded $9.4 million and $18.1 million, respectively, of contingent consideration expense in the consolidated statement of operations and comprehensive income due to the change in estimated fair value of the Earnout Payments.

The acquisition has been accounted for as a business combination. During the quarter ended March 31, 2017, the Company completed the determination of the final allocation of the purchase price with respect to the assets acquired and liabilities assumed as follows (in thousands):

	Fair Value
Accounts receivable	$3,538
Total intangible assets with definite lives, net	55,400
Goodwill	52,450
Accounts payable and accrued liabilities	(7,638)
Total purchase price	$103,750

Acquisition-related costs in the first six months of 2017 of $0.1 million are included in general and administrative expense in the accompanying consolidated statement of operations and comprehensive income.

DepositAccounts

On June 14, 2017, the Company acquired substantially all of the assets of Deposits Online, LLC, which does business under the name DepositAccounts.com (“DepositAccounts”). DepositAccounts is a leading consumer-facing media property in the depository industry and is one of the most comprehensive sources of depository deals and analysis on the Web, covering all major deposit product categories through editorial content, programmatic rate tables and user-generated content.

The Company paid $24.0 million of initial cash consideration and could make additional contingent consideration payments of up to $9.0 million. The potential contingent consideration payments are comprised of (i) up to seven payments of $1.0 million each based on specified increases in Federal Funds interest rates during the period commencing on the closing date and ending on June 30, 2020 and (ii) a one-time performance payment of up to $2.0 million based on the net revenue of deposit products during the period of January 1, 2018 through December 31, 2018 (the “Contingent Consideration”). These additional payments, to the extent earned, will be payable in cash. The Company has estimated a preliminary purchase price of $29.0 million, comprised of the upfront cash payment of $24.0 million and $5.0 million for the estimated fair value of the Contingent Consideration.

The estimated fair value of the portion of the Contingent Consideration payments based on increases in interest rates is determined using a scenario approach based on the interest rate forecasts of Federal Open Market Committee participants. The estimated fair value of the portion of the Contingent Consideration payments potentially earned based on net revenue is determined using an option pricing model. The estimated value of the Contingent Consideration is based upon available information and certain assumptions, known at the time of this report, which management believes are reasonable. Any differences in the actual Contingent Consideration payments after the final determination of purchase price will be recorded in operating income (expense) in the consolidated statements of operations.

The acquisition has been accounted for as a business combination. The preliminary allocation of purchase price to the assets acquired and liabilities assumed is as follows (in thousands):

	Preliminary Fair Value
Intangible assets	$ 9,600
Goodwill	19,389
Total preliminary purchase price	$ 28,989

The Company primarily used the income approach for the valuation as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are buyers and sellers unrelated to the Company and fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

The acquired intangible assets are definite-lived assets consisting primarily of developed technology, customer relationships and trade name and trademarks. The estimated fair values of the developed technology were determined using excess earnings analysis, the customer relationships were determined using the distributor method and the trade name and trademarks were determined using relief from royalty analysis. The fair value of the intangible assets with definite lives are as follows (dollars in thousands):

	Preliminary Fair Value	Weighted Average Amortization Life
Technology	$ 8,600	5 years
Customer Lists	600	8 years
Trade name and trademarks	400	4 years
Total intangible assets	$ 9,600	

As of June 30, 2017, the Company has not completed its determination of the final purchase price or the final allocation of the purchase price to the assets and liabilities of the acquisition. The purchase price and final allocation of purchase price is expected to be finalized in the third quarter of 2017. Any adjustment to the preliminary purchase price or the assets and liabilities assumed with the acquisition will adjust goodwill.

The Company recorded preliminary goodwill of $19.4 million, which represents the excess of the purchase price over the estimated fair value of the intangible assets acquired. The goodwill is primarily attributable to DepositAccounts as a going concern which represents the ability of the Company to earn a higher return on the collection of assets and business of DepositAccounts than if those assets were to be acquired and managed separately. The benefit of access to the workforce is an additional element

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of goodwill. The goodwill is recorded in the Company's one reportable segment. For income tax purposes, the Company treated the acquisition as an asset purchase and the goodwill will be tax deductible.

As of the acquisition date, the Company's consolidated results of operations include the results of the acquired DepositAccounts business. In the second quarter of 2017, revenue of $0.3 million and net income from continuing operations of $0.1 million have been included in the Company's consolidated results of operations. Acquisition-related costs were $0.2 million in the second quarter of 2017 and are included in general and administrative expense on the consolidated statement of operations and comprehensive income.

MagnifyMoney

On June 20, 2017, the Company acquired the membership interests of Camino Del Avion (Delaware), LLC, which does business under the name MagnifyMoney ("MagnifyMoney") for $29.6 million cash consideration at the closing of the transaction. Camino del Avion (Delaware), LLC was immediately merged with and into LendingTree, LLC following such acquisition. MagnifyMoney is a leading consumer-facing media property that offers unbiased editorial content, expert commentary, tools and resources to help consumers compare financial products and make informed financial decisions. The Company also has an option to acquire a foreign affiliate of one of the principals for $0.5 million at any time during the three years after the closing. This foreign affiliate provides technology and research support to MagnifyMoney under a services agreement.

In addition, the Company issued two key employees of MagnifyMoney restricted stock unit awards for a total of 38,468 shares of Company common stock, and may issue a further restricted stock unit award for 19,234 shares to a third key employee of the foreign affiliate should he become employed by the Company following the Company's exercise of the option to acquire the foreign affiliate. The total value of these restricted stock unit awards was $10.0 million on June 20, 2017. All of these restricted stock units will vest, if at all, on the basis of performance conditions following the acquisition.

The acquisition has been accounted for as a business combination. The preliminary allocation of purchase price to the assets acquired and liabilities assumed is as follows (in thousands):

	Preliminary Fair Value
Net working capital	$ 821
Intangible assets	9,700
Goodwill	23,848
Deferred tax liabilities	(4,163)
Noncontrolling interest	(651)
Total preliminary purchase price	$ 29,555

The Company primarily used the income approach for the valuation as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are buyers and sellers unrelated to the Company and fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

The acquired intangible assets are definite-lived assets consisting primarily of content, developed technology, customer relationships and trade name and trademarks. The estimated fair values of the content was determined using excess earnings analysis, developed technology was determined using cost savings analysis, the customer relationships were determined using the distributor method and the trade name and trademarks were determined using relief from royalty analysis.

Table of Contents

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of the intangible assets with definite lives are as follows (dollars in thousands):

	Preliminary Fair Value	Weighted Average Amortization Life
Technology	$ 200	3 years
Customer lists	1,100	9 years
Trade name and trademarks	600	4 years
Content	7,800	3 years
Total intangible assets	$ 9,700	

As of June 30, 2017, the Company has not completed its determination of the final purchase price or the final allocation of the purchase price to the assets and liabilities of the acquisition. The purchase price and final allocation of purchase price is expected to be finalized in the third quarter of 2017. Any adjustment to the preliminary purchase price or the assets and liabilities assumed with the acquisition will adjust goodwill.

The Company recorded preliminary goodwill of $23.8 million, which represents the excess of the purchase price over the estimated fair value of the tangible and intangible assets acquired, net of the liabilities assumed. The goodwill is primarily attributable to MagnifyMoney as a going concern which represents the ability of the Company to earn a higher return on the collection of assets and business of MagnifyMoney than if those assets were to be acquired and managed separately. The benefit of access to the workforce is an additional element of goodwill. The goodwill is recorded in the Company's one reportable segment. For income tax purposes, the Company treated the acquisition as an equity purchase and the goodwill will not be tax deductible.

The Company has determined that the foreign entity which provides technology and research support to MagnifyMoney under a services agreement is a variable interest entity which must be consolidated for financial reporting. The Company has recorded the assets, liabilities and non-controlling interest in this entity at their estimated fair value.

As of the acquisition date, the Company's consolidated results of operations include the results of the acquired MagnifyMoney business. In the second quarter of 2017, revenue of $0.1 million and net income from continuing operations of $0.0 million have been included in the Company's consolidated results of operations. Acquisition-related costs were $0.2 million and $0.4 million, respectively, in the second quarter and first six months of 2017, respectively, and are included in general and administrative expense on the consolidated statement of operations and comprehensive income.

Pro forma Financial Results

The unaudited pro forma financial results for the second quarter and first six months of 2016 combines the consolidated results of the Company and CompareCards, DepositAccounts and MagnifyMoney giving effect to the acquisitions as if the CompareCards acquisition had been completed on January 1, 2015 and as if the DepositAccounts and MagnifyMoney acquisitions had been completed on January 1, 2016. This unaudited pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the acquisition been completed as of January 1, 2015 or 2016, or any other date.

The unaudited pro forma financial results include adjustments for additional amortization expense based on the fair value of the intangible assets with definite lives and their estimated useful lives. The provision for income taxes from continuing operations has also been adjusted to reflect the results of operations of CompareCards and DepositAccounts and the adjustment to historical results. CompareCards and DepositAccounts did not pay taxes at the entity level as these entities were limited liability companies whose members elected for them to be taxed as a partnership.

	Three Months Ended June 30,	Six Months Ended June 30,

	2017	2016	2017	2016
	(in thousands)			
Pro forma revenue	$155,220	$114,199	$290,270	$226,677
Pro forma net income from continuing operations	$8,457	$9,940	$16,387	$14,452

The pro forma net income from continuing operations in the second quarter and first six months of 2017 include the after tax contingent consideration expense associated with the CompareCards Earnout of $5.6 million and $10.9 million, respectively. The

14

LENDINGTREE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

pro forma net income from continuing operations for the first six months of 2016 have been adjusted to include acquisition-related costs of $0.8 million incurred by the Company, DepositAccounts and MagnifyMoney that are directly attributable to the acquisitions, which will not have an on-going impact. Accordingly, the acquisition-related costs have been eliminated from the pro forma net income from continuing operations for the second quarter and first six month of 2017.

NOTE 6—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30, 2017	December 31, 2016
Accrued litigation liabilities	$1,301	$ 736
Accrued advertising expense	46,387	26,976
Accrued compensation and benefits	5,868	5,626
Accrued professional fees	1,903	1,411
Customer deposits and escrows	5,173	5,041
Other	8,328	9,613
Total accrued expenses and other current liabilities	$68,960	$ 49,403

NOTE 7—SHAREHOLDERS' EQUITY

Basic and diluted income per share was determined based on the following share data (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Weighted average basic common shares	11,965	11,795	11,896	11,863
Effect of stock options	1,557	869	1,564	855
Effect of dilutive share awards	82	66	92	82
Weighted average diluted common shares	13,604	12,730	13,552	12,800

Other than the 0.625% Convertible Senior Notes and the warrants, which can be converted into the Company's common stock in the future, as discussed below, no shares related to potentially dilutive securities were excluded from the calculation of diluted income per share for the three and six months ended June 30, 2017 and 2016.