GrubHub Inc.
Form 10-Q
August 08, 2016

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 June 30, 2016

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-36389

GRUBHUB INC.

(Exact name of registrant as specified in its charter)

Delaware	46-2908664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 W. Washington Street, Suite 2100	
Chicago, Illinois	60602

(Address of principal executive offices) (Zip code)
(877) 585-7878

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or 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 x	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 x

As of August 5, 2016, 85,210,038 shares of common stock were outstanding.

GRUBHUB INC.

TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

GRUBHUB INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(UNAUDITED)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$132,924	$ 169,293
Short term investments	136,883	141,448
Accounts receivable, less allowances for doubtful accounts	57,087	42,051
Prepaid expenses	6,602	3,482
Total current assets	333,496	356,274
PROPERTY AND EQUIPMENT:		
Property and equipment, net of depreciation and amortization	32,320	19,082
OTHER ASSETS:		
Other assets	5,218	3,105
Goodwill	437,009	396,220
Acquired intangible assets, net of amortization	323,816	285,567
Total other assets	766,043	684,892
TOTAL ASSETS	$1,131,859	$ 1,060,248
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Restaurant food liability	$71,276	$ 64,326
Accounts payable	11,282	8,189
Accrued payroll	6,118	4,841
Taxes payable	1,020	426
Other accruals	14,267	11,830
Total current liabilities	103,963	89,612
LONG TERM LIABILITIES:		
Deferred taxes, non-current	103,376	87,584
Other accruals	5,818	5,456
Total long term liabilities	109,194	93,040
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Series A Convertible Preferred Stock, $0.0001 par value. Authorized: 25,000,000 shares as of June 30, 2016 and December 31, 2015; issued and outstanding: no	—	—

shares as of June 30, 2016 and December 31, 2015.		
Common stock, $0.0001 par value. Authorized: 500,000,000 shares at June 30, 2016 and December 31, 2015; issued and outstanding: 84,888,344 and 84,979,869 shares as of June 30, 2016 and December 31, 2015, respectively	8	8
Accumulated other comprehensive loss	(1,396)	(604)
Additional paid-in capital	778,452	759,292
Retained earnings	141,638	118,900
Total Stockholders' Equity	$918,702	$ 877,596
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,131,859	$ 1,060,248

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$120,173	$87,955	$232,413	$176,204
Costs and expenses:				
Sales and marketing	25,355	20,679	54,188	44,786
Operations and support	40,696	24,603	75,683	47,304
Technology (exclusive of amortization)	10,567	7,902	20,759	15,568
General and administrative	12,158	9,745	25,747	18,846
Depreciation and amortization	8,885	8,829	16,193	15,078
Total costs and expenses	97,661	71,758	192,570	141,582
Income before provision for income taxes	22,512	16,197	39,843	34,622
Provision for income taxes	9,707	6,845	17,105	14,700
Net income attributable to common stockholders	$12,805	$9,352	$22,738	$19,922
Net income per share attributable to common stockholders:				
Basic	$0.15	$0.11	$0.27	$0.24
Diluted	$0.15	$0.11	$0.27	$0.23
Weighted-average shares used to compute net income per share attributable to common stockholders:				
Basic	84,741	84,116	84,725	83,449
Diluted	85,749	85,833	85,724	85,465

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$12,805	$9,352	$22,738	$19,922
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	(570)	396	(792)	103
COMPREHENSIVE INCOME	$12,235	$9,748	$21,946	$20,025

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(UNAUDITED)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$22,738	$19,922
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	3,327	2,721
Provision for doubtful accounts	420	260
Deferred taxes	(4,174)	35
Amortization of intangible assets	12,866	12,357
Stock-based compensation	12,406	6,265
Other	316	417
Change in assets and liabilities, net of the effects of business acquisitions:		
Accounts receivable	(11,722)	(8,460)
Prepaid expenses and other assets	(3,315)	(485)
Restaurant food liability	4,278	3,052
Accounts payable	(858)	(3,957)
Accrued payroll	595	(3,000)
Other accruals	316	1,417
Net cash provided by operating activities	37,193	30,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(123,723)	(65,645)
Proceeds from maturity of investments	128,490	64,618
Capitalized website and development costs	(5,380)	(3,104)
Purchases of property and equipment	(8,362)	(1,201)
Acquisitions of businesses, net of cash acquired	(67,528)	(55,687)
Acquisition of other intangible assets	(250)	—
Other cash flows from investing activities	(576)	—
Net cash used in investing activities	(77,329)	(61,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchases of common stock	(14,774)	—
Proceeds from exercise of stock options	2,878	9,777
Excess tax benefits related to stock-based compensation	18,767	14,421
Taxes paid related to net settlement of stock-based compensation awards	(938)	—
Payments for debt issuance costs	(1,477)	—
Net cash provided by financing activities	4,456	24,198
Net change in cash and cash equivalents	(35,680)	(6,277)
Effect of exchange rates on cash	(689)	76
Cash and cash equivalents at beginning of year	169,293	201,796

Cash and cash equivalents at end of the period	$132,924	$195,595
SUPPLEMENTAL DISCLOSURE OF NON CASH ITEMS		
Fair value of common stock issued for acquisitions	$—	$15,980
Cash paid for income taxes	3,250	—
Capitalized property, equipment and website and development costs in accounts payable at period end	3,926	580
Net working capital adjustment receivable	1,609	—

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Organization

Grubhub Inc., a Delaware corporation, and its wholly-owned subsidiaries (collectively referred to as the “Company”) provide an online and mobile platform for restaurant pick-up and delivery orders. Diners enter their delivery address or use geo-location within the mobile applications and the Company displays the menus and other relevant information for restaurants in its network. Orders may be placed directly online, via mobile applications or over the phone at no cost to the diner. The Company charges the restaurant a per order commission that is largely fee based. In certain markets, the Company also provides delivery services to restaurants on its platform that do not have their own delivery operations.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of Grubhub Inc. and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements include all wholly-owned subsidiaries and reflect all normal and recurring adjustments, as well as any other than normal adjustments, that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on February 26, 2016 (the “2015 Form 10-K”). All significant intercompany transactions have been eliminated in consolidation. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates include revenue recognition, the allowance for doubtful accounts, website and internal-use software development costs, goodwill, depreciable lives of property and equipment, recoverability of intangible assets with definite lives and other long-lived assets, stock-based compensation and income taxes. Actual results could differ from these estimates.

There have been no material changes to the Company's significant accounting policies described in the 2015 Form 10-K.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables and held-to-maturity debt securities, which will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands disclosure requirements. ASU 2016-13 is effective for the Company beginning the first quarter of 2020 with early adoption permitted. The guidance will be applied using the modified-retrospective approach. The Company is currently evaluating the impact of adoption of ASU 2016-13 on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment transactions. Under ASU 2016-09, excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. ASU 2016-09 also provides entities with the option to elect an accounting policy to continue to estimate forfeitures of stock-based awards over the service period (current GAAP) or account for forfeitures when they occur. Under ASU 2016-09, previously unrecognized excess tax benefits should be recognized using a modified retrospective transition. In addition, amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement, as well as changes in the computation of weighted-average diluted shares outstanding, should be applied prospectively. The Company believes the most significant impact of the adoption of ASU 2016-09 to the Company's consolidated financial statements

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

will be to recognize certain tax benefits or tax shortfalls upon a restricted-stock award or unit vesting or stock option exercise relative to the deferred tax asset position established in the provision for income taxes line of the consolidated statement of operations instead of to consolidated stockholders' equity. During the six months ended June 30, 2016, and the years ended 2015 and 2014, the Company recorded $18.8 million, $27.8 million and $13.0 million to consolidated stockholders' equity as tax benefits related to stock-based compensation, respectively. ASU 2016-09 is effective beginning in the first quarter of 2017 with early adoption permitted. The Company plans to adopt ASU 2016-09 during the first quarter of 2017.

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (“ASU 2016-02”). Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The recognition, measurement, and presentation of expenses and cash flows arising from a lease under ASU 2016-02 will not significantly change from current GAAP. ASU 2016-02 is effective beginning in the first quarter of 2019 with early adoption permitted. The Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of adoption of ASU 2016-02 on its consolidated financial statements, but anticipates that it will result in a significant increase in its long-term assets and liabilities and minimal impact to its results of operations and cash flows.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”), which eliminates the requirement to account for adjustments identified during the measurement-period in a business combination retrospectively. Instead, the acquirer must recognize measurement-period adjustments during the period in which they are identified, including the effect on earnings of any amounts that would have been recorded in previous periods had the purchase accounting been completed at the acquisition date. ASU 2015-16 was effective for and adopted by the Company in the first quarter of 2016. The adoption of ASU 2015-16 eliminates costs related to retrospective application of any measurement-period adjustments that may be identified, but has not had a material impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update 2015-05, “Intangibles -Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement” (“ASU 2015-05”), which provides guidance on accounting for fees paid in a cloud computing arrangement. Under ASU 2015-05, if a cloud computing arrangement includes a software license, the software license element should be accounted for consistent with the purchase of other software licenses. If the cloud computing arrangement does not include a software license, it should be accounted for as a service contract. ASU 2015-05 was effective for and adopted by the Company in the first quarter of 2016. The Company elected to apply ASU 2015-05 prospectively; however, its adoption did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Under the previous practice, debt issuance costs were recognized as a deferred charge (that is, an asset). The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. In August 2015, the FASB issued ASU 2015-15 “Interest - Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), which clarifies that the guidance in ASU 2015-03 does not apply to line-of-credit arrangements. According to ASU 2015-15, debt issuance costs related to line-of-credit arrangements will continue to be deferred and presented as an asset and subsequently amortized ratably over the term of the arrangement. The amendments in ASU 2015-03 and clarifications of ASU 2015-15 are effective for the Company in the first quarter of 2016. The Company entered into a credit agreement on April 29, 2016 (see Note 8, Debt, for additional details). The adoption of the ASUs will not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific requirements. ASU 2014-09 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. In August 2015, the FASB issued Accounting Standards Update 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”, which defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” (“ASU 2016-

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

08”), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. ASU 2016-08 clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. In April 2016, the FASB issued Accounting Standards Update No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” (“ASU 2016-10”), which clarifies the implementation guidance on identifying performance obligations and licensing. ASU 2016-10 reduces the cost and complexity of identifying promised goods or services and improves the guidance for determining whether promises are separately identifiable. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”), which amends the guidance in the new revenue standard on collectability, non-cash consideration, presentation of sales tax, and transition. ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 will be effective for the Company in the first quarter of 2018. Management is currently evaluating the impact the adoption of these ASUs will have on the Company’s consolidated financial position, results of operations or cash flows. The Company currently anticipates applying the modified retrospective approach when adopting these ASUs.

3. Acquisitions

2016 Acquisitions

On May 5, 2016, the Company acquired all of the issued and outstanding stock of KMLEE Investments Inc. and LABite.Com, Inc. (collectively, “LABite”). The purchase price for LABite was $65.9 million in cash, net of cash acquired of $2.6 million and a net working capital adjustment receivable of $1.6 million. LABite provides online and mobile food ordering and delivery services for restaurants in numerous western and southwestern cities of the United States. The acquisition has expanded the Company’s restaurant, diner and delivery networks.

The results of operations of LABite have been included in the Company’s financial statements since May 5, 2016 and have not had a material impact on the Company’s consolidated results of operations as of June 30, 2016.

The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand restaurant delivery services and enhance the breadth and depth of the Company’s restaurant networks. Of the $40.8 million of goodwill related to the acquisition, $4.4 million is expected to be deductible for income tax purposes.

The assets acquired and liabilities assumed of LABite were recorded at their estimated fair values as of the closing date of May 5, 2016. The following table summarizes the preliminary purchase price allocation acquisition-date fair values of the assets and liabilities acquired in connection with the LABite acquisition:

	(in thousands)

Cash and cash equivalents	$ 2,566
Accounts receivable	2,320
Prepaid expenses and other assets	68
Customer and vendor relationships	46,513
Property and equipment	257
Developed technology	1,731
Goodwill	40,789
Trademarks	440
Accounts payable and accrued expenses	(6,232)
Net deferred tax liability	(19,966)
Total purchase price plus cash acquired	68,486
Cash acquired	(2,566)
Net cash paid	$ 65,920

2015 Acquisitions

On February 4, 2015, the Company acquired assets of DiningIn.com, Inc. and certain of its affiliates (collectively, “DiningIn”), and, on February 27, 2015, the Company acquired the membership units of Restaurants on the Run, LLC (“Restaurants on the Run”) and on December 4, 2015, the Company acquired the membership units of Mealport USA, LLC (“Delivered Dish”). Aggregate

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

consideration for the three acquisitions was approximately $73.9 million in cash and 407,812 restricted shares of the Company's common stock, or an estimated total transaction value of approximately $89.9 million based on the Company's closing share price on the respective closing dates, net of cash acquired of $0.7 million. DiningIn, Restaurants on the Run and Delivered Dish provide delivery options for individual diners, group orders and corporate catering. The acquisitions have expanded and enhanced the Company's service offerings for its customers, particularly in the delivery space.

The results of operations of DiningIn, Restaurants on the Run and Delivered Dish have been included in the Company's financial statements since February 4, 2015, February 27, 2015 and December 4, 2015, respectively.

The excess of the consideration transferred in the acquisitions over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand restaurant delivery services and enhance the breadth and depth of the Company's restaurant networks. The goodwill related to these acquisitions of $43.4 million is expected to be deductible for income tax purposes.

The assets acquired and liabilities assumed of DiningIn, Restaurants on the Run and Delivered Dish were recorded at their estimated fair values as of the closing dates of February 4, 2015, February 27, 2015 and December 4, 2015, respectively. The following table summarizes the final purchase price allocation acquisition-date fair values of the assets and liabilities acquired in connection with the DiningIn, Restaurants on the Run and Delivered Dish acquisitions:

	(in thousands)
Cash and cash equivalents	$ 698
Accounts receivable	2,331
Prepaid expenses and other assets	325
Customer and vendor relationships	44,259
Property and equipment	161
Developed technology	4,676
Goodwill	43,432
Trademarks	529
Accounts payable and accrued expenses	(5,826)
Total purchase price plus cash acquired	90,585
Cash acquired	(698)
Fair value of common stock issued	(15,980)
Net cash paid	$ 73,907

Additional Information

The estimated fair values of the intangible assets acquired were determined based on a combination of the income, cost, and market approaches to measure the fair value of the customer (restaurant) relationships, developed technology and trademarks. The fair value of the trademarks was measured based on the relief from royalty method. The cost approach, specifically the cost to recreate method, was used to value the developed technology. The income approach, specifically the multi-period excess earnings method, was used to value the customer (restaurant) relationships. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value hierarchy.

The Company incurred certain expenses directly and indirectly related to acquisitions which were recognized in general and administrative expenses within the condensed consolidated statements of operations for the three months ended June 30, 2016 and 2015 of $0.7 million and $0.1 million, respectively, and for the six months ended June 30, 2016 and 2015 of $1.5 million and $0.7 million, respectively.

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Pro Forma

The following unaudited pro forma information presents a summary of the operating results of the Company for the three and six months ended June 30, 2016 and 2015 as if the acquisitions had occurred as of January 1 of the year prior to acquisition:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Revenues	$122,334	$95,179	$241,373	$193,569
Net income	10,398	9,805	22,513	21,490
Net income per share attributable to common shareholders:				
Basic	$0.12	$0.12	$0.27	$0.26
Diluted	$0.12	$0.11	$0.26	$0.25

The pro forma adjustments reflect the amortization that would have been recognized for intangible assets, elimination of transaction costs incurred and pro forma tax adjustments for three and six months ended June 30, 2016 and 2015 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Depreciation and amortization	$(829)	$920	$(1,161)	$2,383
Transaction costs	(643)	(134)	(1,474)	(700)
Income tax expense (benefit)	630	(335)	1,128	(717)

The unaudited pro forma revenues and net income are not intended to represent or be indicative of the Company’s condensed consolidated results of operations or financial condition that would have been reported had the acquisitions been completed as of the beginning of the periods presented and should not be taken as indicative of the Company’s future consolidated results of operations or financial condition.

4. Marketable Securities

The amortized cost, unrealized gains and losses and estimated fair value of the Company's held-to-maturity marketable securities as of June 30, 2016 and December 31, 2015 were as follows:

	June 30, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents				
Commercial paper	$17,741	$ —	$ (10)	$17,731
Short term investments				
Commercial paper	105,174	—	(226)	104,948
Corporate bonds	31,709	11	(6)	31,714
Total	$154,624	$ 11	$ (242)	$154,393

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents				
Commercial paper	$22,744	$ —	$ (5)	$22,739
Short term investments				
Commercial paper	90,949	—	(102)	90,847
Corporate bonds	41,503	9	(39)	41,473
U.S. government agency bonds	8,996	8	—	9,004
Total	$164,192	$ 17	$ (146)	$164,063

All of the Company's marketable securities were classified as held-to-maturity investments and have maturities within one year of June 30, 2016.

The gross unrealized losses, estimated fair value and length of time the individual marketable securities were in a continuous loss position for those marketable securities in an unrealized loss position as of June 30, 2016 and December 31, 2015 were as follows:

	June 30, 2016					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
	(in thousands)					
Commercial paper	$122,679	$ (236)	$ —	$ —	$122,679	$ (236)
Corporate bonds	11,837	(6)	—	—	11,837	(6)
Total	$134,516	$ (242)	$ —	$ —	$134,516	$ (242)

	December 31, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
	(in thousands)					

Commercial paper	$113,586	$	(107	)	$	—	$	—	$113,586	$	(107	)
Corporate bonds	31,952		(39	)		—		—	31,952		(39	)
Total	$145,538	$	(146	)	$	—	$	—	$145,538	$	(146	)

During the three and six months ended June 30, 2016 and 2015, the Company did not recognize any other-than-temporary impairment losses related to its marketable securities.

The Company's marketable securities are classified within Level 2 of the fair value hierarchy (see Note 13, Fair Value Measurement, for further details).

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

5. Goodwill and Acquired Intangible Assets

The components of acquired intangible assets as of June 30, 2016 and December 31, 2015 were as follows:

	June 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Developed technology	$ 10,640	$ (8,116)	$ 2,524	$ 9,819	$ (6,288)	$ 3,531
Customer and vendor relationships, databases	282,751	(51,967)	230,784	236,238	(44,192)	192,046
Trademarks	969	(366)	603	529	(215)	