

Market Leader, Inc.
Form 10-Q
November 14, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2011 September 30, 2011

OR

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

For the transition period from to

Commission File Number: 000-51032

Market Leader, Inc.

(Exact name of registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization)
11332 NE 122nd Way, Suite 200
Kirkland, WA
(Address of principal executive offices)

91-1982679
(IRS Employer
Identification No.)
98034
(Zip Code)

(425) 952-5500
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 7, 2011, there were outstanding 25,383,094 shares of the registrant's common stock, \$0.001 par value, which is the only class of common stock of the registrant.

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 8,979	\$ 5,975	\$ 24,541	\$ 17,586
Expenses:				
Sales and marketing (1)	6,984	6,179	21,127	16,320
Technology and product development (1)	2,199	1,402	5,929	4,070
General and administrative (1)	1,657	1,401	5,083	4,471
Depreciation and amortization of property and equipment (2)	655	646	1,912	1,929
Amortization of acquired intangible assets	374	480	898	1,438
Loss on asset disposition	174		174	
Total expenses	12,043	10,108	35,123	28,228
Loss from operations	(3,064)	(4,133)	(10,582)	(10,642)
Equity in loss of unconsolidated subsidiary		(63)		(254)
Gain on valuation of investment in subsidiary		750		750
Interest income and expense, net	15	40	59	167
Loss before income tax expense	(3,049)	(3,406)	(10,523)	(9,979)
Income tax expense	3	3	9	7
Net loss	(3,052)	(3,409)	(10,532)	(9,986)
Net loss attributable to noncontrolling interest	(91)		(381)	
Net loss attributable to Market Leader	(2,961)	(3,409)	(10,151)	(9,986)
Net loss per share basic and diluted	\$ (0.12)	\$ (0.14)	\$ (0.40)	\$ (0.41)

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

	2011	2010	2011	2010
Sales and marketing	\$ 145	\$ 128	\$ 471	\$ 372
Technology and product development	52	62	140	163
General and administrative	140	286	476	888
	\$ 337	\$ 476	\$ 1,087	\$ 1,423

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

	2011	2010	2011	2010
Technology and product development	\$ 605	\$ 592	\$ 1,749	\$ 1,730
General and administrative	50	54	163	199
	\$ 655	\$ 646	\$ 1,912	\$ 1,929

See accompanying notes to condensed consolidated financial statements.

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	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,184	\$ 16,687
Short-term investments	22,476	28,628
Trade accounts receivable, net of allowance of \$10 and \$12, respectively	733	30
Prepaid expenses and other current assets	1,488	1,249
Total current assets	27,881	46,594
Property and equipment, net of accumulated depreciation of \$18,562 and \$17,047, respectively	4,078	3,856
Acquired intangible assets, net of accumulated amortization of \$9,097 and \$8,199, respectively	11,652	2,326
Goodwill	1,861	954
Total assets	\$ 45,472	\$ 53,730
Liabilities, Shareholders' Equity and Noncontrolling Interest		
Current liabilities:		
Accounts payable	\$ 1,019	\$ 1,157
Accrued compensation and benefits	2,590	1,809
Accrued expenses and other current liabilities	1,123	1,175
Deferred rent, current portion	230	214
Deferred revenue	846	517
Total current liabilities	5,808	4,872
Deferred rent, less current portion	327	527
Total liabilities	6,135	5,399
Shareholders' equity and noncontrolling interest:		
Preferred stock, par value \$0.001 per share, authorized 30,000,000 shares; none issued and outstanding at September 30, 2011 and December 31, 2010, respectively		
Common stock, par value \$0.001 per share, stated at amounts paid in; authorized 120,000,000 shares; issued and outstanding 25,366,412 and 24,873,120 shares at September 30, 2011 and December 31, 2010, respectively	73,427	71,889
Accumulated deficit	(34,861)	(24,710)
Total Market Leader, Inc. shareholders' equity	38,566	47,179
Noncontrolling interest in subsidiary	771	1,152
Total shareholders' equity and noncontrolling interest	39,337	48,331
Total liabilities, shareholders' equity and noncontrolling interest	\$ 45,472	\$ 53,730

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands, except share data)

(unaudited)

	Common Stock		Accumulated Deficit	Noncontrolling Interest In Subsidiary	Total Share- holders Equity and Noncontrolling Interest
	Shares	Amount			
Balance at December 31, 2010	24,873,120	\$ 71,889	\$ (24,710)	\$ 1,152	\$ 48,331
Proceeds from exercises of stock options	377,315	14			14
Stock-based compensation		1,161			1,161
Payment of taxes due upon vesting of restricted stock	(106,245)	(235)			(235)
Shares issued for acquisition of <i>kwkly</i>	222,222	400			400
Stock options issued for acquisition of <i>kwkly</i>		198			198
Net loss			(10,151)	(381)	(10,532)
Balance at September 30, 2011	25,366,412	\$ 73,427	\$ (34,861)	\$ 771	\$ 39,337