

Bankrate, Inc.
Form 10-Q
November 06, 2015
Table of Contents

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, 2015

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 No. 1-35206

(Exact name of registrant as specified in its charter)

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

Delaware
(State or other jurisdiction of incorporation or organization)

65-0423422
(I.R.S. Employer Identification No.)

477 Madison Avenue, Suite 430

New York, NY
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code: 917-368-8600

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

The number of outstanding shares of the issuer's common stock as of October 31, 2015 was as follows: 99,378,370 shares of Common Stock, \$.01 par value.

Table of Contents

Table of Contents

Bankrate, Inc. and Subsidiaries

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2015

<u>PART I. FINANCIAL INFORMATION</u>	6
<u>Item 1. Condensed Consolidated Financial Statements (Unaudited)</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item 4. Controls and Procedures</u>	37
<u>PART II. OTHER INFORMATION</u>	38
<u>Item 1. Legal Proceedings</u>	38
<u>Item 1A. Risk Factors</u>	38
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3. Default Upon Senior Securities	40
Item 4. Mine Safety Disclosures	40
<u>Item 5. Other Information</u>	40
<u>Item 6. Exhibits</u>	41
<u>Signatures</u>	42

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, revenues, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends or regarding resolution of regulatory matters described in this Quarterly Report are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon certain assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known or unknown factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on, and speak only as of, the date of this report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as cautionary statements, are discussed in detail in Part I, Item 1A. “Risk Factors” in our annual report on Form 10-K filed with the Securities and Exchange Commission (“SEC” or “Commission”) on June 18, 2015 as updated in Part II, Item 1A. “Risk Factors” in this Quarterly Report. All forward-looking information in this Quarterly Report and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include without limitation:

- the timing and outcome of, including potential expense associated with, and the potential impact on our business and stock price of any announcements regarding, the United States Department of Justice (“DOJ”) investigation relating to our financial reporting during 2012;
- the material weakness in our internal controls over financial reporting and our ability to rectify this issue completely and promptly;
- the timing of the closing, or the failure to consummate the closing, of the transactions set forth in the Equity Purchase Agreement between the Company and All Web Leads, Inc., dated November 5, 2015, related to the sale of the Company’s Insurance business (See Note 14 to our Condensed Consolidated Financial Statements), the closing of which is conditioned upon, among other things, no material adverse effect (as defined in the agreement) having occurred and all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other antitrust laws, having expired or been terminated;
- any delay, or failure to pay, the deferred portion of the purchase price in connection with the sale of the Company’s Insurance business;
- any disruption from the announcement of the sale of the Company’s Insurance business, including without limitation any disruption of relationships with employees, customers, suppliers and other business partners;
- our ability to recognize any expected tax benefits in connection with the sale of the Company’s Insurance business;
- risks relating to the defense or litigation of lawsuits, including the putative class action lawsuit currently pending and described herein;
- the timing and outcome of, including potential expense associated with, and the potential impact on our business and stock price of any announcements regarding, the Consumer Financial Protection Bureau (“CFPB”) investigation;
- the willingness or interest of banks, lenders, brokers, credit card issuers, insurance carriers and agents, senior care providers and other advertisers in the business verticals in which we operate to advertise on our websites or mobile applications, or purchase our leads, clicks, calls and referrals;
-

- the rate of conversion of consumers' visits to our websites or mobile applications into senior care referrals and the rate at which those referrals result in move-ins with our senior care customers;
- changes in application approval rates by our credit card issuer customers;
 - increased competition and its effect on our website traffic, advertising rates, margins, and market share;
 - our dependence on internet search engines to attract a significant portion of the visitors to our websites;
 - our dependence on traffic from our partners to produce a significant portion of the company's revenue;
 - shift of visitors from desktop to mobile and mobile app environments;

Table of Contents

- the number of consumers seeking information about the financial and senior care products we have on our websites or mobile applications;
- interest rate volatility;
- technological changes and our ability to adapt to new or evolving technologies that affect our business environment or operations;
- our ability to anticipate and manage cybersecurity risk and data security risk and to mitigate or resolve issues that may arise;
- the effects of any security breach, data breach or any cyberattack on our systems, websites or mobile applications;
- our ability to manage traffic on our websites or mobile applications, and service interruptions;
- our ability to maintain and develop our brands and content;
- the fluctuations of our results of operations from period to period;
- our indebtedness and the effect such indebtedness may have on our business;
- our need and our ability to obtain additional debt or equity financing;
- our ability to integrate the operations and realize the expected benefits of businesses that we have acquired and may acquire in the future;
- the effect of unexpected liabilities we assume from our acquisitions;
- the effect of programmatic advertising platforms on display revenue;
- our ability to successfully execute on our strategies, including without limitation our insurance quality initiative, our mobile strategy and other initiatives, and the effectiveness of our strategies, including without limitation whether they result in increased revenue or profitability;
- our ability to attract and retain executive officers and personnel;
- any failure or refusal by our insurance providers to provide coverage under our insurance policies;
- our ability to protect our intellectual property;
- the effects of potential liability for content on our websites or mobile applications;
- our ability to establish and maintain distribution arrangements;
- our ability to maintain good working relationships with our customers and third-party providers and to continue to attract new customers;
- the effect of our operations in the United Kingdom and possible expansion to other international markets, in which we may have limited experience, and our ability to successfully execute on our business strategies in international markets;
- our ability to sell our operation in China in excess of its book value;
- the willingness of consumers to accept the Internet and our Online Network as a medium for obtaining financial product information;
- the strength of the U.S. economy in general and the financial services industry in particular;
- changes in monetary and fiscal policies of the U.S. government;
- changes in consumer spending and saving habits;
- review of our business and operations by regulatory authorities;
- changes in the legal and regulatory environment;
- changes in accounting principles, policies, practices or guidelines;
- risks relating to the ongoing reviews of our business and operations by regulatory authorities; and
- our ability to manage the risks involved in the foregoing.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Quarterly Report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation

Table of Contents

to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Bankrate, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	(Unaudited)	
	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 144,611	\$ 141,725
Accounts receivable, net of allowance for doubtful accounts of \$449 and \$419, respectively	75,911	70,865
Deferred income taxes	6,407	6,407
Prepaid expenses and other current assets	28,304	35,652
Assets held for sale	1,215	1,627
Total current assets	256,448	256,276
Furniture, fixtures and equipment, net of accumulated depreciation of \$30,271 and \$24,756, respectively	16,959	13,299
Intangible assets, net of accumulated amortization of \$270,381 and \$228,667, respectively	316,709	338,988
Goodwill	628,139	641,367
Other assets	13,114	13,499
Total assets	\$ 1,231,369	\$ 1,263,429
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable	\$ 13,723	\$ 8,047
Accrued expenses	27,369	46,030
Deferred revenue and customer deposits	3,946	4,303
Accrued interest payable	2,297	6,980
Other current liabilities	12,240	13,629
Liabilities subject to sale	1,254	1,074
Total current liabilities	60,829	80,063
Deferred income taxes	51,967	51,633
Long term debt, net of unamortized discount	298,055	297,598
Other liabilities	9,520	10,849
Total liabilities	420,371	440,143
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, par value \$.01 per share - 300,000,000 shares authorized		

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

102,942,411 shares and 102,286,646 shares issued respectively; 97,514,463 shares and 98,296,110 shares outstanding, respectively	1,029	1,023
Additional paid-in capital	926,343	904,740
Accumulated deficit	(41,757)	(23,639)
Less: Treasury stock, at cost - 5,427,948 shares and 3,990,536 shares, respectively	(74,155)	(58,472)
Accumulated other comprehensive loss	(462)	(366)
Total stockholders' equity	810,998	823,286
Total liabilities and stockholders' equity	\$ 1,231,369	\$ 1,263,429

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

Table of Contents

Bankrate, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands, except share and per share data)

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	\$ 140,760	\$ 141,650	\$ 415,166	\$ 408,292
Costs and expenses:				
Cost of revenue	74,743	85,528	228,169	242,210
Sales and marketing	6,235	6,228	18,666	18,662
Product development and technology	9,591	7,399	26,794	21,253
General and administrative	21,100	28,992	57,695	53,258
Legal settlements	-	(7,732)	3	1,459
Acquisition, disposition, offering and related expenses	557	248	1,131	2,810
Restructuring charges	93	-	93	-
Changes in fair value of contingent acquisition consideration	348	682	735	2,832
Impairment charge	35,000	-	35,000	-
Depreciation and amortization	16,157	14,964	47,719	43,410
Total costs and expenses	163,824	136,309	416,005	385,894
(Loss) income from operations	(23,064)	5,341	(839)	22,398
Interest and other expenses, net	5,558	5,231	17,250	15,583
(Loss) income before taxes	(28,622)	110	(18,089)	6,815
Income tax (benefit) expense	(5,369)	6,927	(586)	10,927
Net loss from continuing operations	(23,253)	(6,817)	(17,503)	(4,112)
Net loss from discontinued operations, net of income taxes	(138)	(207)	(615)	(1,019)
Net loss	\$ (23,391)	\$ (7,024)	\$ (18,118)	\$ (5,131)
Basic net loss per share:				
Continuing operations	\$ (0.23)	\$ (0.07)	\$ (0.17)	\$ (0.04)
Discontinued operations	-	-	(0.01)	(0.01)
Basic net loss per share	\$ (0.23)	\$ (0.07)	\$ (0.18)	\$ (0.05)

Diluted net loss per share:

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

Continuing operations	\$ (0.23)	\$ (0.07)	\$ (0.17)	\$ (0.04)
Discontinued operations	-	-	(0.01)	(0.01)
Diluted net loss per share	\$ (0.23)	\$ (0.07)	\$ (0.18)	\$ (0.05)
Weighted average common shares outstanding:				
Basic	102,859,934	100,607,876	102,673,433	101,126,182
Diluted	102,859,934	100,607,876	102,673,433	101,126,182
Net loss	\$ (23,391)	\$ (7,024)	\$ (18,118)	\$ (5,131)
Other comprehensive loss, net of tax	(234)	(200)	(96)	(46)
Comprehensive loss	\$ (23,625)	\$ (7,224)	\$ (18,214)	\$ (5,177)

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

Table of Contents

Bankrate, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine months ended	
	September 30, 2015	September 30, 2014
Cash flows from operating activities		
Net loss from continuing operations	\$ (17,503)	\$ (4,112)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	47,719	43,410
Provision for doubtful accounts receivable	281	390
Deferred income taxes	334	-
Amortization of deferred financing charges and original issue discount	1,130	1,632
Stock-based compensation	21,609	12,742
Impairment charge	35,000	-
Purchase accounting adjustment	(1,010)	-
Loss on disposal of assets	75	-
Changes in fair value of contingent acquisition consideration	735	2,832
Change in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	(5,248)	(16,433)
Prepaid expenses and other assets	7,415	(29,943)
Accounts payable	5,676	2,517
Accrued expenses	(18,708)	4,404
Other liabilities	(10,158)	1,270
Deferred revenue and customer deposits	(355)	664
Net cash provided by operating activities - continuing operations	66,992	19,373
Net cash provided by operating activities - discontinued operations	180	78
Net cash provided by operating activities	67,172	19,451
Cash flows from investing activities		
Purchases of furniture, fixtures and equipment and capitalized website development costs	(10,218)	(7,357)
Cash used in business acquisitions, net	(30,753)	(62,184)
Net cash used in investing activities - continuing operations	(40,971)	(69,541)
Net cash used in investing activities - discontinued operations	(221)	(222)
Net cash used in investing activities	(41,192)	(69,763)
Cash flows from financing activities		
Cash paid for contingent acquisition consideration	(7,545)	(12,683)

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

Purchase of Company stock	(15,683)	(57,848)
Proceeds from exercise of stock options, net of costs	-	22,826
Net cash used in financing activities - continuing operations	(23,228)	(47,705)
Net cash provided by financing activities - discontinued operations	-	-
Net cash used in financing activities	(23,228)	(47,705)
Effect of exchange rate on cash and cash equivalents	101	(79)
Net increase (decrease) in cash	2,853	(98,096)
Cash - beginning of period	142,051	230,071
Cash - end of period	144,904	131,975
Less cash of discontinued operations - end of period	293	243
Cash of continuing operations - end of period	\$ 144,611	\$ 131,732

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

Table of Contents

Bankrate, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

The Company

Bankrate, Inc. and its subsidiaries (“Bankrate” or the “Company,” “we,” “us,” “our”) own and operate an Internet-based consumer banking and personal finance network (“Online Network”). Our flagship websites, Bankrate.com, CreditCards.com, insuranceQuotes.com and Caring.com are some of the Internet’s leading aggregators of information on more than 300 financial products and services, including mortgages, deposits, credit cards, insurance, senior care and other personal finance categories. Additionally, we provide financial applications and information to a network of distribution partners and through national and state publications.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Bankrate, Inc., and subsidiaries NetQuote Holdings, Inc. (“NetQuote”), NetQuote, Inc., insuranceQuotes, Inc., CreditCards.com, Inc. (“CreditCards”), LinkOffers, Inc., CreditCards.com Limited (United Kingdom), Freedom Marketing Limited (United Kingdom), Caring, Inc., Wallaby Financial, Inc. and Quizzle, LLC after elimination of all intercompany accounts and transactions.

We operate the following business segments:

- Banking – we offer information on rates for various types of mortgages, home lending and refinancing options, specific to geographic location and covering all 50 states; rate information on various deposit products such as money markets, savings and certificates of deposits; and information on retirement, taxes and debt management. This segment also provides original articles on topics related to the housing market and loan refinancing; provides online analytic tools to calculate investment values; and provides content on topics such as 401(k) planning, Social Security, tax deductions and exemptions, auto loans, debt consolidation and credit risk.

- Credit Cards – we present visitors with a comprehensive selection of consumer and business credit and prepaid cards, providing detailed information and card comparison capabilities, and delivering news and advice on personal finance, credit card and bank policies, as well as tools and calculators to estimate credit scores and card benefits.
- Insurance – in conjunction with local agents and insurance carriers, we facilitate a consumer’s ability to receive multiple competitive insurance quotes, and provide advice and detailed descriptions of insurance terms, and articles on topical subjects.
- Other – includes the results of operations of Senior Care and aggregated smaller, dissimilar operating units, the results of our investments, unallocated corporate overhead and the elimination of transactions between segments. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of our results have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, for any other interim period or for any other future year.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on June 18, 2015.

Other than as noted below, there have been no significant changes in the Company’s accounting policies from those disclosed in the Company’s 2014 Annual Report on Form 10-K filed with the SEC on June 18, 2015.

Table of Contents

Reclassification and Discontinued Operations

Certain amounts presented for the nine months ended September 30, 2014 reflect reclassifications made to conform to the presentation in our 2014 Annual Report and our current presentation.

In the second quarter of 2015, we identified a misclassification within shareholders' equity between common stock, additional paid-in capital and treasury stock for the year ended 2014 and first quarter of 2015 which related to the treatment of restricted share awards. The December 31, 2014 consolidated balance sheet has been modified to reflect the reclassification of common stock, additional paid-in capital and treasury stock. There was no change to total shareholders' equity as a result of this modification. We believe this misclassification within stockholders' equity was not material to total stockholders' equity or to the financial statements taken as a whole.

In 2014, we commenced the process of divesting our operations in China. In accordance with accounting principles generally accepted in the United States ("GAAP"), the results of our operations in China are presented as discontinued operations and, as such, have been excluded from continuing operations in the Condensed Consolidated Statements of Comprehensive Income for all periods presented. The assets and liabilities of the operations in China at September 30, 2015 and December 31, 2014 have been classified and segregated as held for sale and subject to sale, respectively, in the Condensed Consolidated Balance Sheets. The cash flows related to the operations in China have been classified and segregated in the Condensed Consolidated Statement of Cash Flows, for all periods presented. See Note 13 – Discontinued Operations for presentation of the results of the discontinued operations in China.

New Accounting Pronouncements

Recently Adopted Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. This ASU requires discontinued operations treatment for disposals of a component or group of components of an entity that represent a strategic shift that has or will have a major impact on an entity's operations or financial results. ASU 2014-08 also expands the scope of FASB Accounting Standards Codification ("ASC") 205-20, "Discontinued Operations," to disposals of equity method investments and acquired businesses held for sale. We adopted ASU 2014-08 on January 1, 2015, as required, and it did not have a material impact on our consolidated financial statements.

Recently Issued Pronouncements, Not Adopted as of September 30, 2015

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers that supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. In connection with ASU 2015-14 issued in August 2015, "Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date", this amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, to be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are evaluating the effect that this amendment will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Allow a Performance Target to Be Achieved After the Requisite Service Period," which requires that a performance target that could be achieved after the requisite service period be treated as a performance condition that affects the vesting of the award. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of this accounting pronouncement is not expected to have a material impact on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related footnote disclosures in certain circumstances.

This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of this accounting pronouncement is not expected to have a material impact on our consolidated financial statements.

Table of Contents

In January 2015, the FASB issued ASU 2015-01, “Income Statement – Extraordinary and Unusual Items.” This guidance eliminates the concept of an extraordinary item, which required that an entity separately classify, present, and disclose extraordinary events and transactions on the income statement, net of tax after earnings from continuing operations and disclose applicable income taxes and earnings per share data applicable to the extraordinary item. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and may be applied prospectively and retrospectively. We are currently evaluating the impact of this guidance, but at this time do not expect it to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs.” This guidance requires that the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of this guidance, but at this time do not expect it to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05 “Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40) – Customers Accounting for Fees Paid in a Cloud Computing Arrangement.” The amendments in this update provide a basis for evaluating whether a cloud computing arrangement includes a software license and clarification of the treatment of fees paid by the customer if that license is to internal-use software, other than internal-use software or not considered a license. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of this amendment, but at this time do not expect it to have a material impact on our consolidated financial statements.

In June 2015, the FASB issued ASU 2015-10, “Technical Corrections and Improvements.” This guidance’s intention is (i) to clarify the Codification for differences between original guidance and the Codification, (ii) correct unintended application of guidance and correct references, or (iii) streamline, simplify or make minor improvements to the Codification through minor structural changes to headings or minor editing of text to improve the usefulness and understandability, that are not expected to have a significant effect on current accounting practice. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of this guidance, but at this time do not expect it to have a material impact on our consolidated financial statements

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments.” The intention of this update is to simplify the accounting adjustments made to provisional amounts recognized in business combinations, as the amendment requires the adjustments to provisional amounts be recorded in the current period that they are identified, which eliminates the need to retrospectively account for those adjustments. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and applied prospectively. We are currently evaluating the impact of this amendment, but at this time do not expect it to have a material impact on our consolidated financial statements.

NOTE 2 – GOODWILL AND INTANGIBLE ASSETS

During the third quarter, while the Company marketed its Insurance operating segment for sale, management noted a decline in its fair value. This triggering event resulted in impairment testing as of September 30, 2015. It was concluded that the segment is impaired. However, as our step two analysis was not yet complete we recorded our best estimate of the impairment loss, \$35 million, based on the information available at the time. Actual impairment loss may be different from this amount and we will record an additional impairment charge in the fourth quarter 2015, upon the finalization of the step two analysis, if the analysis identifies that the implied fair value is below carrying value.

Goodwill activity for the nine months ended September 30, 2015 is shown below:

Balance, January 1, 2015	\$ 641,367
Additions due to acquisitions	21,772
Estimated impairment charge	(35,000)
Balance, September 30, 2015	\$ 628,139

Intangible assets consist primarily of domain names and URLs, customer relationships, affiliate relationships and developed technologies. Intangible assets are being amortized over their estimated useful lives on both straight-line and accelerated basis.

Table of Contents

Intangible assets subject to amortization were as follows as of September 30, 2015:

(In thousands)	Cost	Accumulated Amortization	Net
Trademarks and URLs	\$ 298,017	\$ (93,997)	\$ 204,020
Customer relationships	227,078	(141,636)	85,442
Affiliate relationships	22,770	(13,292)	9,478
Developed technology	39,225	(21,456)	17,769
	\$ 587,090	\$ (270,381)	\$ 316,709

Intangible assets subject to amortization were as follows as of December 31, 2014:

(In thousands)	Cost	Accumulated Amortization	Net
Trademarks and URLs	\$ 293,241	\$ (75,176)	\$ 218,065
Customer relationships	223,906	(122,201)	101,705
Affiliate relationships	22,780	(12,617)	10,163
Developed technology	27,728	(18,673)	9,055
	\$ 567,655	\$ (228,667)	\$ 338,988

Amortization expense for the three and nine months ended September 30, 2015 was \$14.0 million and \$41.8 million, respectively, and amortization expense for the three and nine months ended September 30, 2014 was \$13.2 million and \$38.2 million, respectively.

Future amortization expense for assets placed into service on or before September 30, 2015 is expected to be:

(In thousands)	Amortization Expense
Remainder of 2015	\$ 13,968
2016	54,561
2017	53,545
2018	41,382
2019	32,270
Thereafter	120,983

Total expected amortization expense for intangible assets \$ 316,709

NOTE 3 – EARNINGS PER SHARE

We compute basic earnings per share by dividing net income (loss) for the period by the weighted average number of shares outstanding for the period. Diluted earnings per share includes the effects of dilutive common stock equivalents, consisting of outstanding stock-based awards in accordance with ASC 718, Compensation – Stock Compensation, to the extent the effect is not anti-dilutive, using the treasury stock method.

The following table presents the computation of basic and diluted earnings per share:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
(In thousands, except share and per share data)				
Net loss from continuing operations	\$ (23,253)	\$ (6,817)	\$ (17,503)	\$ (4,112)
Net loss from discontinued operations, net of income taxes	(138)	(207)	(615)	(1,019)
Net loss	\$ (23,391)	\$ (7,024)	\$ (18,118)	\$ (5,131)

Table of Contents

Weighted average common shares outstanding for basic earnings per share	102,859,934	100,607,876	102,673,433	101,126,182
Additional dilutive shares related to share based awards	-	-	-	-
Weighted average common shares outstanding for diluted earnings per share	102,859,934	100,607,876	102,673,433	101,126,182
Basic net loss per share:				
Continuing operations	\$ (0.23)	\$ (0.07)	\$ (0.17)	\$ (0.04)
Discontinued operations	-	-	(0.01)	(0.01)
Basic net loss per share	\$ (0.23)	\$ (0.07)	\$ (0.18)	\$ (0.05)
Diluted net loss per share:				
Continuing operations	\$ (0.23)	\$ (0.07)	\$ (0.17)	\$ (0.04)
Discontinued operations	-	-	(0.01)	(0.01)
Diluted net loss per share	\$ (0.23)	\$ (0.07)	\$ (0.18)	\$ (0.05)

As the Company incurred a net loss for the three and nine months ended September 30, 2015 and 2014, all outstanding stock options, restricted stock awards and performance stock awards have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding. Accordingly, basic and diluted weighted average shares outstanding are equal for such periods.

NOTE 4 – STOCKHOLDERS' EQUITY

The activity in stockholders' equity for the nine months ended September 30, 2015 is shown below:

(In thousands)	Common Stock				Treasury Stock		Accumulated Other Comprehensive Loss - Foreign Currency Translation	Total Stockholders' Equity
	Shares	Amount	Additional paid-in capital	Accumulated Deficit	Shares	Amount		

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

Balance at								
December 31, 2014	102,287	\$ 1,023	\$ 904,740	\$ (23,639)	(3,991)	\$ (58,472)	\$ (366)	\$ 823,286
Other								
comprehensive loss,								
net of taxes	-	-	-	-	-	-	(96)	(96)
Treasury stock								
purchased	-	-	-	-	(1,437)	(15,683)	-	(15,683)
Restricted stock								
issued	655	6	(6)	-	-	-	-	-
Stock-based								
compensation	-	-	21,609	-	-	-	-	21,609
Net loss	-	-	-	(18,118)	-	-	-	(18,118)
Balance at								
September 30, 2015	102,942	\$ 1,029	\$ 926,343	\$ (41,757)	(5,428)	\$ (74,155)	\$ (462)	\$ 810,998

In September 2015, the Company's Board of Directors authorized a \$75.0 million share repurchase program. During the three months ended September 30, 2015, 1,231,680 shares were repurchased for approximately \$13.1 million. The share repurchase program will expire December 31, 2016.

NOTE 5 – SEGMENTS

The reportable segments presented below represent our operating segments for which separate financial information is available and utilized on a regular basis by the chief operating decision maker, the Company's chief executive officer, to assess performance and allocate resources. Management evaluates the operating results of each of the operating segments based upon revenue and "Adjusted EBITDA", which we define as income from continuing operations before depreciation and amortization, interest, income taxes,

Table of Contents

changes in fair value of contingent acquisition consideration, stock-based compensation, and other items such as loss on extinguishment of debt, legal settlements, acquisition, disposition, offering and related expenses, the impact of purchase accounting, restructuring charges, any impairment charge, and costs related to unusual governmental actions, the financial review process that was used to prepare the restatement of our financial statements (the “Internal Review”), the restatement of our financial statements and related litigation. Our presentation of Adjusted EBITDA, a non-GAAP measure, may not be comparable to similarly-titled measures used by other companies.

(In thousands)	Three months ended September 30,			
	2015	Adjusted	2014	Adjusted
	Revenue	EBITDA	Revenue	EBITDA
Banking	\$ 26,979	\$ 7,427	\$ 28,355	\$ 10,078
Credit Cards	65,388	32,771	58,834	23,857
Insurance	41,554	4,661	51,611	6,627
Other	6,839	(4,923)	2,850	(4,142)
Total Company	\$ 140,760	39,936	\$ 141,650	36,420
Less:				
Interest and other expenses, net		5,558		5,231
Depreciation and amortization		16,157		14,964
Changes in fair value of contingent acquisition consideration		348		682
Stock-based compensation expense		9,756		4,404
Legal settlements		-		(7,732)
Acquisition, disposition, offering and related expenses		557		248
Restatement charges (A)		1,089		18,320
Impact of purchase accounting		-		193
Restructuring charges		93		-
Impairment charge		35,000		-
Income tax (benefit) expense		(5,369)		6,927
Net loss from continuing operations		\$ (23,253)		\$ (6,817)

(A) Restatement charges include expenses related to unusual governmental actions, the Internal Review, and restatement of our financial statements and related litigation.

Table of Contents

(In thousands)	Nine months ended September 30,			
	2015		2014	
	Revenue	Adjusted EBITDA	Revenue	Adjusted EBITDA
Banking	\$ 82,121	\$ 27,187	\$ 89,955	\$ 34,267
Credit Cards	178,215	84,675	166,720	65,833
Insurance	137,987	17,511	149,288	18,795
Other	16,843	(13,241)	2,329	(13,231)
Total Company	\$ 415,166	116,132	\$ 408,292	105,664
Less:				
Interest and other expenses, net (A)		17,250		15,583
Depreciation and amortization		47,719		43,410
Changes in fair value of contingent acquisition consideration		735		2,832
Stock-based compensation expense		21,609		12,742
Legal settlements		3		1,459
Acquisition, disposition, offering and related expenses		1,131		2,810
Restatement charges (B)		10,647		19,600
Impact of purchase accounting		34		413
Restructuring charges		93		-
Impairment charge		35,000		-
Income tax (benefit) expense		(586)		10,927
Net loss from continuing operations		\$ (17,503)		\$ (4,112)

(A) 2015 includes a \$1.2 million charge related to the exit of an office lease.

(B) Restatement charges include expenses related to unusual governmental actions, the Internal Review, and restatement of our financial statements and related litigation.

NOTE 6 – FAIR VALUE MEASUREMENT

The carrying amounts of cash, accounts receivable and accrued interest approximate estimated fair value due to their short term nature. In measuring the fair value of our long term debt, we used market information. These estimates require considerable judgment in interpreting market data, and changes in assumptions or estimation methods could significantly affect the fair value estimates.

The following table presents estimated fair value, and related carrying amounts:

	September 30, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In thousands)				
Financial liabilities:				
Long term debt	\$ 298,055	\$ 288,000	\$ 297,598	\$ 280,500

In addition, we make recurring fair value measurements of contingent acquisition consideration using Level 3 unobservable inputs. We recognize the fair value of contingent acquisition consideration based on its estimated fair value at the date of acquisition using discounted cash flows and subsequent adjustments to the fair value are due to the passage of time as we approach the payment date or changes to management's estimates of the projected results of the acquired business. In determining the fair value of contingent acquisition consideration, we review current results of the acquired business along with projected results for the remaining earnout period to calculate the expected contingent acquisition consideration to be paid using the agreed upon formula as laid out in the acquisition agreements.

Table of Contents

The following tables present the fair value measurements of contingent acquisition consideration using the fair value hierarchy:

(In thousands)	Fair Value Measurement at September 30, 2015 Using					
	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurement:						
Contingent acquisition consideration	\$ -	\$ -	\$ 10,282	\$ 10,282	\$ 10,282	\$ 10,282
Total recurring fair value measurements	\$ -	\$ -	\$ 10,282	\$ 10,282	\$ 10,282	\$ 10,282

(In thousands)	Fair Value Measurement at December 31, 2014 Using					
	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurement:						
Contingent acquisition consideration	\$ -	\$ -	\$ 19,028	\$ 19,028	\$ 19,028	\$ 19,028
Total recurring fair value measurements	\$ -	\$ -	\$ 19,028	\$ 19,028	\$ 19,028	\$ 19,028

The following table sets forth a reconciliation of changes in the fair value of Level 3 financial liabilities, contingent acquisition consideration, for the nine months ended September 30, 2015:

Nine
months

	ended September 30, 2015
(In thousands)	
Balance, January 1, 2015	\$ 19,028
Additions to Level 3	3,766
Transfers into Level 3	-
Transfers out of Level 3	-
Change in fair value	735
Payments	(13,247)
Balance, September 30, 2015	\$ 10,282

The unobservable inputs used in determining the fair value of contingent acquisition consideration for earnout periods not yet completed include discount factors of 14% to 16% based on our weighted average cost of capital and projected results of the acquired businesses. The fair value calculated as of September 30, 2015 is subject to sensitivity as it relates to the projected results of the acquired businesses, which are uncertain in nature. Each calculation is based on a separate formula and results that differ from our projections could impact the fair value significantly. During the nine months ended September 30, 2015, we changed certain estimates of the projected results of acquired businesses that resulted in a decrease in the fair value of contingent acquisition consideration and a credit to operating income of \$946,000, offset by approximately \$1.7 million recorded in the change in fair value of contingent acquisition consideration related to the passage of time.

NOTE 7 – STOCK-BASED COMPENSATION

In June 2015, the Company established the 2015 Equity Compensation Plan (the “2015 Plan”), replacing the former 2011 Equity Compensation Plan (the “2011 Plan”), to grant stock-based awards for up to 8,049,594 shares of our common stock, plus the remaining 1,644,199 shares, including forfeitures, that were available to be awarded under the 2011 Plan. Under the 2015 Plan, the Board of Directors or its delegate has the sole authority to determine who receives such grants, the type, size and timing of such grants, and to specify the terms of any non-competition agreements related to the grants. The purpose of the 2015 Plan is to attract and retain officers, employees and non-employees, to provide such persons incentives and rewards and to align the participants’ economic interests with that of our stockholders. As of September 30, 2015, 9,693,793 shares were available for future issuance under the 2015 plan.

Table of Contents

The stock-based compensation expense for stock options, restricted stock and performance stock awards recognized in our condensed consolidated statements of comprehensive income are as follows:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
(In thousands)				
Cost of revenue	\$ 327	\$ 400	\$ 1,500	\$ 1,097
Sales and marketing	813	644	2,811	1,871
Product development and technology	1,096	697	3,453	1,910
General and administrative	7,520	2,663	13,845	7,864
Total stock-based compensation	\$ 9,756	\$ 4,404	\$ 21,609	\$ 12,742

Restricted Stock

The following table summarizes restricted stock award activity for the nine months ended September 30, 2015:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	2,162,382	\$ 14.40
Granted	1,390,206	12.46
Vested and released	(655,765)	15.57
Forfeited	(133,247)	13.70
Balance, September 30, 2015	2,763,576	\$ 13.18

Stock-based compensation expense related to restricted stock awards for the three months and nine months ended September 30, 2015 was approximately \$4.4 million and \$13.3 million, respectively, and for the three and nine months ended September 30, 2014 was approximately \$2.5 million and \$7.0 million, respectively. As of September 30, 2015, there was unrecognized compensation cost related to non-vested restricted stock awards of \$24.3 million, net of forfeitures, which is estimated to be recognized over a weighted average period of 1.4 years.

Performance Based Restricted Shares

Performance based shares activity was as follows for the nine months ended September 30, 2015:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	1,020,720	\$ 15.71
Granted	1,394,288	12.73
Vested/Earned	-	-
Forfeited	(27,390)	14.48
Unearned	-	-
Balance, September 30, 2015	2,387,618	\$ 12.97

During the nine months ended September 30, 2015, we granted 1,394,288 performance based restricted shares with an average grant date fair value of \$12.73 per share. The shares include a performance condition, with the number of shares ultimately issued determined based on the Company's Adjusted EBITDA for the two years ending December 31, 2016. The granted amount represents the maximum amount of the award at 150% of the target and the total number of shares ultimately issued can range from 0% to 100% of the granted amount. Stock-based compensation expense related to performance based shares for the three and nine months ended September 30, 2015 was approximately \$4.8 million. No stock-based compensation expense was recorded for performance based shares during the three and nine months ended September 30, 2014 as satisfaction of performance conditions was not considered probable at that time. As of September 30, 2015, there was unrecognized compensation expense related to non-vested performance stock awards of \$6.6 million, net of forfeitures, which is estimated to be recognized over a weighted average period of 2.1 years.

Table of Contents

Stock Options

Stock option activity was as follows for the nine months ended September 30, 2015:

	Number of	Price	Weighted	Aggregate
	Shares	Per Share	Average	Intrinsic
			Exercise	Value
			Price	
Balance, January 1, 2015	2,825,709	\$ 11.05 - 24.25	\$ 16.04	\$ 85,250
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(11,614)	15.00	15.00	
Expired	(89,415)	15.00	15.00	
Balance, September 30, 2015	2,724,680	\$ 11.05 - 24.25	\$ 16.05	\$ -

Pursuant to the income tax provisions of ASC 718 “Stock Compensation”, we follow the “long-haul method” of computing our hypothetical additional paid-in capital, or APIC, pool. Approximately 486,000 stock options vested during the nine months ended September 30, 2015.

The aggregate intrinsic value of stock options outstanding in the table above is calculated as the difference between the closing price of Bankrate’s common stock on the last trading day of the reporting period (\$10.35 at September 30, 2015) and the exercise price of the stock options multiplied by the number of shares underlying options with an exercise prices less than the closing price on the last trading day of the reporting period. Stock-based compensation expense related to stock option awards for the three and nine months ended September 30, 2015 was approximately \$508,000 and \$3.5 million, respectively, and for the three and nine months ended September 30, 2014 was \$1.9 million and \$5.7 million, respectively.

As of September 30, 2015, approximately \$1.9 million of total unrecognized compensation costs, net of forfeitures, related to non-vested stock option awards is expected to be recognized over a weighted average period of 0.8 years.

NOTE 8 – INCOME TAXES

We calculate our income tax provision for interim periods based on two components: (i) the estimate of the annual effective tax rate and (ii) the existence of any interim period (i.e., discrete) events. The difference between income tax expense computed at the statutory rate and the reported income tax expense during the three and nine months ended September 30, 2015 is primarily due to a tax charge taken for stock compensation expense, U.S. state income tax expense, a release of an uncertain tax position and the tax effect of goodwill impairment. The difference between income tax expense computed at the statutory rate and the reported income tax expense during the three and nine months ended September 30, 2014 is primarily due to nondeductible acquisition costs, the effect of U.S. state income tax expense and tax charges taken for stock compensation expense and the SEC settlement.

We have approximately \$4.2 million and \$5.2 million of unrecognized tax benefits at September 30, 2015 and December 31, 2014.

We are subject to income taxes in the U.S. federal jurisdiction, various states, and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2010.

During the three months ended September 30, 2015, we concluded a New York City audit for years 2010, 2011 and 2012, for approximately \$143,000 of additional tax paid.

During the three months ended September 30, 2015, the company filed amended tax returns for years 2011, 2012 and 2013 due to the financial restatement. The 2011 and 2012 amended tax returns have been audited by the IRS.

We accrued approximately \$6,000 and \$78,000 during the three months ended September 30, 2015 and 2014, respectively, and \$25,000 and \$234,000 during the nine months ended September 30, 2015 and 2014, respectively, for the payment of interest which is recorded as income tax expense.

During the three months ended September 30, 2015, we released approximately \$1.1 million of an uncertain tax position and \$88,000 of related interest, which was recorded as a benefit to tax expense due to a change in tax filing positions.

Table of Contents

During the three months ended September 30, 2015, we recorded a new reserve for an uncertain tax position in the amount of \$121,000.

Our effective tax rate on continuing operations was a benefit of 18.8% and 3.2% during the three and nine months ended September 30, 2015, respectively, compared to an expense of 6297.3% and 160.3% during the three and nine months ended September 30, 2014, respectively. The change in our effective tax rate during the nine months ended September 30, 2015 is primarily attributed to a tax charge taken in 2014 for the expense related to the SEC settlement, the tax effect of goodwill impairment and a release of an uncertain tax position in 2015.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, in the normal course of its operations, the Company is party to litigation and regulatory matters and claims. Litigation and regulatory reviews can be expensive and disruptive to normal business operations. Moreover, the results of complex proceedings and reviews are difficult to predict and the Company's view of these matters may change in the future as events related thereto unfold. The Company expenses legal fees as incurred. The Company records a provision for contingent losses when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. Except as otherwise stated, we have concluded that we cannot estimate the reasonably possible loss or range of loss, including reasonably possible losses in excess of amounts already accrued, for each matter disclosed below. An unfavorable outcome to any legal or regulatory matter, if material, could have an adverse effect on the Company's operations or its financial position, liquidity or results of operations.

BanxCorp Litigation

In July 2007, BanxCorp, an online publisher of rate information provided by financial institutions with respect to various financial products, filed suit against the Company in the United States District Court for the District of New Jersey alleging violations of Federal and New Jersey State antitrust laws, including the Sherman Act and the Clayton Act. BanxCorp has alleged that it has been injured as a result of monopolistic and otherwise anticompetitive conduct on the part of the Company and is seeking approximately \$180 million in compensatory damages, treble damages, and attorneys' fees and costs. In October 2012, BanxCorp filed a Seventh Amended Complaint, alleging violations of Section 2 of the Sherman Act, Section 7 of the Clayton Act and parallel provisions of New Jersey antitrust laws, and dropping its claims under Section 1 of the Sherman Act. Discovery closed on December 21, 2012 and both parties filed motions in the first quarter of 2013 seeking summary judgment that are pending before the court. The Company will continue to vigorously defend this lawsuit. The Company cannot presently estimate the amount of loss, if any, that would result from an adverse resolution of this matter.

Securities Litigation

In October 2014, a putative class action lawsuit was brought in federal court in the United States District Court for the Southern District of Florida against the Company and certain of its current and former officers and directors. The suit, captioned *The City of Los Angeles v. Bankrate, Inc., et al.*, No. 14-CV-81323-DMM, alleges, among other things, that the Company's 2011, 2012, and 2013 financial statements improperly recognized revenues and expenses and therefore were materially false and misleading, and seeks relief (including damages) under the federal securities laws on behalf of a proposed class consisting of all persons, other than the defendants, who purchased the Company's securities between October 16, 2012 and September 15, 2014, inclusive. On February 23, 2015, the lead plaintiff filed an amended complaint, which asserts claims against the Company, certain officers and directors of the Company, entities associated with Apax Partners, the underwriters of the Company's March 2014 stock offering, and the Company's independent registered public accountant, alleging that the Company's 2011, 2012, and 2013 financial statements were materially false and misleading and that the Company sold securities in March 2014 pursuant to a registration statement and prospectuses in violation of federal securities law. The amended complaint seeks unspecified compensatory damages and rescission or rescissionary damages. On March 9, 2015, the Company filed a motion to dismiss the amended complaint. Other named defendants, including the Company's accountant, the underwriter defendants, and the Company's former Chief Financial Officer, Edward J. DiMaria, have each filed separate and additional motions to dismiss the amended complaint. Those motions are pending. Pursuant to a notice of voluntary dismissal submitted by the lead plaintiff, the Apax Defendants were terminated from the action on April 23, 2015. The action is in its preliminary stages and we are not able to predict its outcome. The Company cannot presently estimate the amount of loss, if any, that would result from an adverse resolution of this matter.

Two earlier lawsuits making similar allegations, captioned *Tong v. Evans, et al.*, No. 14-cv-81183-KLR (S.D. Fla), and *Atiyeh v. Evans, et al.*, No. 14 Civ. 8443 (JFK) (S.D.N.Y), were voluntarily dismissed by their respective plaintiffs.

Table of Contents

SEC and DOJ Investigations

As previously disclosed, the SEC conducted a non-public formal investigation of Bankrate's financial reporting with the principal focus on the quarters ending March 31, 2012 and June 30, 2012. The investigation examined whether accounting entries may have improperly impacted the Company's reported results, including relative to market expectations at such time. On September 8, 2015, Bankrate announced a final settlement with the SEC with respect to the SEC's investigation of the historical financial reporting. Without admitting or denying the findings in the SEC's administrative cease-and-desist order, Bankrate paid a civil penalty of \$15 million and entered into a consent order. In addition, as previously reported, the DOJ has informed the Company that it is investigating the matters that were the subject of the SEC investigation. It is not possible to predict when the DOJ investigation will be completed, the final outcome of the investigation, and what if any actions may be taken by the DOJ.

CFPB Investigation

The Company and certain of its employees have received Civil Investigative Demands ("CIDs") from the Consumer Financial Protection Bureau ("CFPB") to produce certain documents and answer questions relating to the Company's quality control process for its online mortgage rate tables. The Company has cooperated in responding to the CIDs. The Company received a communication from the CFPB inviting the Company to respond to the CFPB's identified issues in the form of a Notice of Opportunity to Respond and Advise during which the CFPB identified potential claims it might bring against the Company. The Company has submitted a response that it believes addresses the CFPB's issues with respect to the Company's online mortgage rate tables and its quality control processes. We are unable to predict when the CFPB investigation will be completed or the final outcome of the investigation, and cannot presently estimate the amount of loss, if any, that would result from an adverse resolution of this matter.

TCPA Litigation

On June 16, 2015, a putative class action lawsuit styled Johnson v. Bankrate, Inc. was filed against the Company in the United States District Court for the Southern District of Florida, alleging violations of the Telephone Consumer Protection Act (TCPA) and seeking statutory damages, injunctive relief and attorney's fees. The plaintiff alleged that the Company contacted her and members of the class she seeks to represent on their cellular telephones without their prior express written consent and seeks to certify a nationwide class of individuals on that basis. The same day she filed her complaint, plaintiff filed a motion seeking an order certifying a class, but the court has stayed it pending the completion of discovery. On October 30, 2015, an amended complaint was filed adding a second named plaintiff, making the same allegations as the original complaint, and seeking certification of the same proposed class and the same relief as the original complaint. The Company intends to vigorously defend this lawsuit. The Company cannot presently estimate the amount of loss, if any, that would result from an adverse resolution of this case.

Sales Tax Contingencies

The Company may be subject to sales taxes related to sourcing of certain revenue streams in one of its operating segments in certain state jurisdictions. An estimate of the amount or range of possible loss cannot be estimated at this time as the Company needs to obtain additional information and perform certain analysis regarding these potential state taxes.

NOTE 10 – DEBT

Senior Notes

On August 2, 2013, the Company completed the offering of its 6.125% unsecured notes (“Senior Notes”). The Senior Notes, due 2018, were issued at 98.938% of par and accrue interest daily on the outstanding principal amount, which is payable semi-annually, in arrears, on August 15 and February 15.

As of August 15, 2015, we may redeem some or all of the Senior Notes at a premium that will decrease over time as set forth in Bankrate, Inc.’s Indenture, dated as of August 7, 2013 (the “Senior Notes Indenture”). Additionally, if the Company experiences a Change of Control Triggering Event (as defined in the Senior Notes Indenture), we must offer to purchase all of the Senior Notes at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. The Senior Notes Indenture contains covenants and events of default customary for transactions of this type and has no financial maintenance covenant. All obligations under the Senior Notes are guaranteed by the Guarantors (as defined below).

Interest expense, excluding the amortization of deferred financing costs and the original issue discounts, related to the Senior Notes was \$4.6 million and \$13.8 million, for the three and nine months ended September 30, 2015 respectively, and was \$4.6 million and \$13.8 million for the three and nine months ended September 30, 2014, respectively.

We amortized original issue discount, which is included within interest and other expenses on the accompanying condensed

Table of Contents

consolidated statements of comprehensive income, of \$155,000 and \$457,000 during the three and nine months ended September 30, 2015, respectively, and \$145,000 and \$429,000 during the three and nine months ended September 30, 2014, respectively. At September 30, 2015 and December 31, 2014, approximately \$1.9 million and \$2.4 million, respectively, of original issue discount remains to be amortized.

We amortized deferred loan fees related to the Senior Notes, which are included within interest and other expenses on the accompanying condensed consolidated statement of comprehensive income, of \$425,000 and \$1.2 million during the three and nine months ended September 30, 2015 and \$322,000 and \$948,000 during the three and nine months ended September 30, 2014, respectively. On March 31 and May 11, 2015, as required under the terms of the Company's Senior Notes Indenture, as supplemented by the Third Supplemental Indenture thereto, we made \$354,000 and \$374,000 consent payments, respectively, to certain holders of the Senior Notes due to the delay in providing timely financial statements. These payments were recorded as deferred loan fees and are being amortized over the remaining term of the Senior Notes. At September 30, 2015 and December 31, 2014, approximately \$5.4 million and \$5.8 million, respectively, in deferred loan fees remains to be amortized.

Revolving Credit Facility

On August 7, 2013, the Company entered into a Revolving Credit Agreement (the "Credit Agreement"), which certain subsidiaries of the Company serve as guarantors (the "Guarantors"). The Credit Agreement provides for a \$70.0 million revolving facility ("Revolving Credit Facility") which matures on May 17, 2018. The proceeds can be used for ongoing working capital requirements and other general corporate purposes, including the financing of capital expenditures and acquisitions.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at our option, either (i) an alternate base rate (as defined in the Revolving Credit Facility) or (ii) an adjusted LIBO rate (as defined in the Revolving Credit Facility), each calculated in a customary manner, plus applicable margin. The applicable margin is 3.00% per annum with respect to alternate base rate loans and 2.00% per annum with respect to adjusted LIBO rate loans. In addition to paying interest on the outstanding principal amount of borrowings under the Revolving Credit Facility, we must pay a commitment fee to the Lenders in respect of their average daily unused amount of revolving commitments at a rate that ranges from 0.375% to 0.50% per annum depending on our consolidated total leverage ratio. We may voluntarily prepay loans under the Revolving Credit Facility at any time without premium or penalty (subject to customary "breakage" fees in the case of Eurodollar rate loans).

The Credit Agreement contains customary affirmative and negative covenants and events of default and requires the Company to comply with a maximum consolidated total leverage ratio of 4.00:1.00 as of the last day of any fiscal quarter only if the aggregate amount (without duplication) of letters of credit (other than letters of credit that are issued and not drawn to the extent such letters of credit are cash collateralized) and loans outstanding under the Revolving Credit Facility exceed, on a pro forma basis, 30% of the total revolving commitments of all Lenders at such time. We were in compliance with all required covenants as of September 30, 2015.

All obligations under the Credit Agreement are guaranteed by the Guarantors and are secured, subject to certain exceptions, by first priority liens on the assets of the Company and the Guarantors.

As of September 30, 2015, \$70.0 million was available for borrowing under the Revolving Credit Facility and there were no amounts outstanding. During the three and nine months ended September 30, 2015, the Company amortized \$85,000 and \$254,000 of deferred loan fees, respectively, and during the three and nine months ended September 30, 2014 the Company amortized \$85,000 and \$254,000 of deferred loan fees, respectively, which is included in interest and other expenses on the accompanying condensed consolidated statements of comprehensive income (loss). At September 30, 2015 and December 31, 2014, approximately \$839,000 and \$1.1 million, respectively, in deferred loan fees remains to be amortized.

NOTE 11 – ACQUISITIONS

2015 Acquisitions

On April 1, 2015 we acquired Quizzle, LLC and during 2015 we acquired certain assets and assumed certain liabilities of other certain entities. These acquisitions had an aggregate purchase price of \$40.3 million, including \$6.9 million in fair value of deferred payments and \$2.7 million in fair value of contingent acquisition consideration. The acquisitions were accounted for under purchase accounting and are included in our consolidated results from the acquisition dates. The financial results of the acquired businesses are immaterial individually and in aggregate to our net assets and results of operations. We recorded \$21.8 million in goodwill and \$19.2 million of intangible assets related to these acquisitions with estimated weighted average useful lives of 10 years, consisting of approximately \$11.5 million of developed technology, approximately \$4.6 million of trademarks and domain names and approximately \$3.1 million of customer relationships.

Table of Contents

2014 Acquisitions

Acquisition of Caring, Inc.

On May 1, 2014, we acquired Caring, Inc., a Delaware corporation (“Caring”), through the merger of a wholly owned subsidiary of Bankrate with and into Caring, with Caring continuing as the surviving corporation (the “Merger”), for \$53.7 million, net of cash acquired, and \$4.3 million was placed in escrow to satisfy certain indemnification obligations of Caring’s shareholders. As of September 30, 2015, no escrow payments have been made. We recorded approximately \$23.0 million in goodwill, which reflects the adjustments necessary to allocate the purchase price to the fair value of the assets acquired and the liabilities assumed. We expect goodwill will not be deductible for income tax purposes. Approximately \$29.5 million was recorded as intangible assets with estimated weighted average useful lives of 9 years, consisting of an Internet domain name for \$14.6 million, customer relationships for \$9.9 million, and developed technology for \$5.0 million. Caring was a privately held company and the owner of Caring.com, a leading senior care resource for those seeking information and support as they care for aging family members and loved ones. This acquisition was made to complement our online publishing business and to enter a new product vertical. The results of operations of Caring are included in our consolidated results from the acquisition date. The acquisition is accounted for as a business combination.

Acquisition of Wallaby Financial, Inc.

On December 1, 2014, we acquired Wallaby Financial, Inc., a Delaware corporation (“Wallaby”), for \$10.0 million. The financial results of Wallaby are immaterial to our net assets and results of operations. The acquisition was accounted for as a purchase and included in our consolidated results from the acquisition date. We recorded \$6.1 million in goodwill and \$3.9 million in intangible assets related to the acquisition, consisting of \$3.6 million of developed technology and \$250,000 of trademarks with estimated weighted average useful lives of 5 years. We expect goodwill will not be deductible for income tax purposes.

Other

During the year ended December 31, 2014, the Company also acquired certain assets and assumed certain liabilities of a third party for a purchase price of approximately \$9.9 million, including \$1.9 million of contingent acquisition consideration. The acquisition is immaterial to the Company’s net assets and results of operations. The acquisition was accounted for as a purchase and is included in the Company’s consolidated results of operations from the acquisition

date. The Company recorded \$30,000 in goodwill and approximately \$9.9 million in intangible assets with a weighted average useful life of 7 years, consisting of trademarks and URLs.

NOTE 12 – RESTRUCTURING

During August 2015, we committed to an initiative of identifying best practices, enhancing internal controls and driving efficiency throughout the finance function, by improving processes and consolidating functions. During the three months ended September 30, 2015, as part of this process, we formally communicated the termination of employment to approximately 10 employees. The costs associated with this initiative primarily represent severance, outplacement services and other costs associated with employee terminations, the majority of which have been or are expected to be settled in cash. As of September 30, 2015, we have terminated several of these employees. We expect further restructuring expense of approximately \$120,000 related to this initiative to be incurred over the next 12 months.

The following tables summarize the changes to our restructuring-related liabilities and identify the amounts recorded for restructuring expense and corresponding payments:

	Nine months ended September 30, 2015
(In thousands)	
Balance at December 31, 2014	\$ -
Restructuring charges	93
Utilized	-
Balance at September 30, 2015	\$ 93

Table of Contents

NOTE 13 – DISCONTINUED OPERATIONS

In 2014, we commenced the process of divesting our operations in China, which is classified as discontinued operations in the condensed consolidated financial statements for all periods presented. In addition, the assets and liabilities associated with the discontinued operations are classified as assets held for sale and liabilities subject to sale, respectively, in the condensed consolidated balance sheets.

The following table presents the carrying amounts of major classes of assets and liabilities of the discontinued operations that are presented as assets held for sale and liabilities subject to sale on the Condensed Consolidated Balance Sheet:

	(Unaudited)	
	September 30, 2015	December 31, 2014
(In thousands)		
Cash and cash equivalents	\$ 293	\$ 326
Accounts receivable, net	201	479
Prepaid expenses and other current assets	135	177
Total current assets	629	982
Furniture, fixtures and equipment, net	384	635
Intangible assets, net	9	10
Other assets	193	-
Total assets classified as held for sale	\$ 1,215	\$ 1,627
Accounts payable	\$ 8	\$ 5
Accrued expenses	180	442
Deferred revenue and customer deposits	150	194
Other current liabilities	916	433
Total current liabilities	1,254	1,074
Total liabilities classified as subject to sale	\$ 1,254	\$ 1,074

The following table presents the major classes of line items constituting net loss from discontinued operations, which is presented in the Condensed Consolidated Statement of Comprehensive Income:

(In thousands)	Three months ended		Nine months ended	
	September	September	September	September
	30, 2015	30, 2014	30, 2015	30, 2014
Revenue	\$ 453	\$ 410	\$ 1,040	\$ 906
Costs and expenses:				
Cost of revenue	131	202	341	544
Sales and marketing	104	80	338	309
Product development and technology	57	68	149	246
General and administrative	176	181	522	561
Depreciation and amortization	92	88	280	268
Interest income and other	31	(2)	25	(3)
Net loss from discontinued operations	\$ (138)	\$ (207)	\$ (615)	\$ (1,019)

NOTE 14 – SUBSEQUENT EVENT

On November 5, 2015, the Company entered into an Equity Purchase Agreement with All Web Leads, Inc. for aggregate consideration of \$165.0 million for its Insurance business. The purchase price to be paid by All Web Leads will consist of \$140.0 million to be paid in cash at the closing, and \$25.0 million to be paid on the second anniversary of the closing date in cash or, to the extent payment in cash in full is restricted under All Web Leads' senior credit agreement, by delivery of a subordinated promissory note. The transaction is subject to certain closing conditions, including all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, having expired or been earlier terminated.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our results of operations and financial condition with the financial statements and related notes included elsewhere in this Quarterly Report and with our 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "2014 Annual Report"). The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and that involve numerous risks and uncertainties, including, but not limited to, those described in the "Cautionary Statement Concerning Forward-Looking Statements" section of this Quarterly Report and in the materials referenced therein. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Statement Concerning Forward-Looking Statements."

Introduction

Our Company

We are a leading publisher, aggregator and distributor of personal finance content on the Internet. We provide consumers with proprietary, fully researched, comprehensive, independent and objective personal finance editorial content across multiple vertical categories including mortgages, deposits, insurance, credit cards, senior care and other personal finance categories.

Our sources of revenue include display advertising, performance-based advertising, lead generation, distribution arrangements and traditional media avenues, such as syndication of editorial content and subscriptions.

Primarily through our Bankrate.com brand we provide consumer inquiries to advertisers that are listed in our mortgage and deposit rate tables and that hyperlink their listings or provide a phone number. Under this arrangement, advertisers pay Bankrate a specific, pre-determined amount each time a consumer clicks on that advertiser's hyperlink or calls the phone number. All clicks and calls are screened for fraudulent characteristics in accordance with Interactive Advertising Bureau advertising standards by an independent third party vendor and then charged to the customer's account.

Primarily through our CreditCards.com brand, other owned and operated sites, and through our affiliate networks, we provide consumer inquiries to credit card issuers and principally record sales after the credit card issuers approve the consumer's credit application.

Through our insuranceQuotes.com brand, we sell inquiries in the form of leads, clicks and calls to insurance agents and insurance carriers. We generate revenue on a per inquiry basis based on the actual number of matches per inquiry.

We provide a variety of digital display advertising formats. Our most common digital display advertisement sizes are leader boards and banners, which are prominently displayed at the top, bottom or side rails of a page. We charge for these advertisements typically based on the number of times the advertisement is displayed or based on a fixed amount for a campaign. Advertising rates may vary depending upon the product areas targeted, geo-targeting, the quantity of advertisements purchased by an advertiser, and the length of time an advertiser runs an advertisement on our Online Network. We sell to advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country.

We also derive revenue through the sale of print advertisements and the distribution (or syndication) of our editorial content.

We operate the following business segments:

- Banking – we offer information on rates for various types of mortgages, home lending and refinancing options, specific to geographic location and covering all 50 states; rate information on various deposit products such as money markets, savings and certificates of deposits; and information on retirement, taxes and debt management. This segment also provides original articles on topics related to the housing market and loan refinancing; provides online analytic tools to calculate investment values; and provides content on topics such as 401(k) planning, Social Security, tax deductions and exemptions, auto loans, debt consolidation and credit risk.
- Credit Cards – we present visitors with a comprehensive selection of consumer and business credit and prepaid cards, providing detailed information and card comparison capabilities, and delivering news and advice on personal finance, credit card and bank policies, as well as tools and calculators to estimate credit scores and card benefits.

Table of Contents

- Insurance – in conjunction with local agents and insurance carriers, we facilitate a consumer’s ability to receive multiple competitive insurance quotes, and provide advice and detailed descriptions of insurance terms, and articles on topical subjects.
- Other – includes the results of operations of our Senior Care business and aggregated smaller, dissimilar operating units, the results of our investments, unallocated corporate overhead and the elimination of transactions between segments.

Developments

We continue to grow partially through acquisitions and during 2015 we:

- Acquired certain assets and assumed certain liabilities of Moseo Corporation, a Washington corporation (“SeniorHomes.com”). SeniorHomes.com operates an online platform that provides information on senior housing and care options to families and individuals in the U.S., including articles, resources, and care advisor services, as well as a directory of care options for assisted living, independent living, retirement, memory care, continuing care, nursing home, home care, respite care and hospice care communities. SeniorHomes.com operates as part of our Senior Care business.
- Acquired Detroit-based Quizzle.com, a leading national free credit report and monitoring site which provides users with free credit scores and credit reports, as well as credit monitoring and identity protection.
- Acquired certain assets and assumed certain liabilities of LoanTek, Inc., an Idaho corporation (“LoanTek”). LoanTek provides subscription based mortgage software solutions, including pricing engines, to mortgage companies and other loan originators. LoanTek operates as part of our Banking business.

See Note 11 to our condensed consolidated financial statements for more information.

Certain Trends Influencing Our Business

Our business benefits from the secular shift toward consumer use of the Internet to research and shop for personal finance products coupled with increased consumer interest in comparison shopping for such products, and the related shift in advertiser demand from offline to online and targeting of in-market consumers. Our ability to benefit from these trends depends on the strength of our position in the personal finance services markets driven by our brands, proprietary and aggregated content, breadth and depth of personal finance products, distribution, position in algorithmic search results and monetization capabilities. The key drivers of our business include the number of in-market consumers visiting our Online Network, including the number of page views they generate, the availability of financial products and the demand of our Online Network advertisers, each of which are correlated to general macroeconomic conditions in the United States. We believe that increases in housing activity and general consumer financial activity and fluctuations in interest rates positively impact these drivers while decreases in these areas, or a

deterioration in macroeconomic conditions, could have a negative impact on these drivers.

Key Initiatives

We are focused on the following key initiatives to drive our business:

- increasing visitor traffic to our Online Network;
- traffic optimization and monetization for both desktop and mobile;
- developing tools and content that result in repeat visits and ongoing engagement by the consumers on our site;
- optimizing the revenue of our cost-per-thousand-impressions, cost-per-click, cost-per-call and cost-per-approval models on our Online Network;
- revenue optimization associated with updated site designs and functionality;
- enhancing search engine marketing and keyword buying to cost effectively drive targeted impressions into our Online Network;
- expanding our co-brand and affiliate footprint;
- broadening the breadth and depth of the personal finance content and products that we offer on our Online Network;
- increasing the percentage of visitor traffic from owned and operated sites;
- further developing our mobile applications and optimizing the consumer experience across all modes of accessing our Online Network;
- containing our costs and expenses; and
- continuing to integrate our acquisitions to maximize synergies and efficiencies.

Table of Contents

Revenue

We generate revenue in each of our verticals by connecting consumers with our advertisers. The amount of advertising we sell is a function of the traffic to our owned and operated properties as well as to our partners' websites and mobile applications and our ability to effectively to match these consumers with relevant advertisers.

Banking Revenue

In our banking segment we primarily generate revenue through consumer inquiries upon delivery of qualified and reported click-throughs to our advertisers from hyperlinks in tables listing rates for deposits, mortgages or other loan products, or qualified phone calls. Consumers are presented these rate table listings on our owned and operated websites and mobile applications as well as on partner websites and mobile applications. These advertisers pay us a designated transaction fee for each click-through or phone call, which occurs when a user clicks on any of their advertisement listings or makes a phone call to the advertiser. Each phone call or click-through on an advertisement listing represents a completed transaction once it passes our validation filtering process.

We also offer subscription-based mortgage software solutions and sell display/graphical advertisements on our Online Network consisting primarily of leaderboards, bottom banners, flex units on the right rails and text link advertisements. We typically charge for these advertisements based on the number of times the advertisement is displayed.

Credit Card Revenue

In the credit card segment, we generate revenue through consumer inquiries by delivery of clicks from hyperlinks in credit card listings, or qualified phone calls to our advertisers' application forms. Consumers are presented credit card offers on our owned and operated websites and mobile applications as well as on affiliates' websites and mobile applications. Our advertisers pay us a designated transaction fee for either completed and approved applications or completed applications resulting from those clicks or phone calls.

Insurance Revenue

In our insurance segment we generate revenue through consumer inquiries by connecting consumers that visit our owned and operated properties or our partners' websites and mobile applications, to our insurance partners' agents and carriers, either in the form of a click, a call or a lead. Each time a consumer fills out a form, we try to match the consumer to agents and carrier partners who will strive to provide the consumer with a quote and sell them a bound insurance policy. We get paid each time we submit a valid consumer inquiry to those agents and carriers. In addition, we present hyperlinks to insurance carriers and agency websites to consumers on our owned and operated websites and our partners' websites and mobile applications and get paid each time a consumer clicks through to a carrier or agency, based on the ultimate customer acquisition cost of our advertiser. We also connect customers that call our call center or that we call on behalf of agents and carriers to our advertisers' call centers and get paid for connected calls of a specified minimum duration.

From time to time we acquire completed consumer data forms from affiliates and distribute them to our agent and carrier advertisers and get paid per valid submitted form.

Senior Care Revenue

Senior care revenue is included in the Other segment. We mainly generate revenue through move-ins to contracted facilities that result from consumer inquiries that are generated on our sites or acquired from affiliates and are qualified with our team of family advisors. In addition, we generate some revenue on a subscription basis, whereby senior care facilities pay us a fixed price for listings in our directory and consumer leads.

Costs and Expenses

Cost of Revenue

Cost of revenue represents expenses directly associated with the creation of revenue and costs of fulfilling services. These costs include contractual revenue sharing obligations resulting from our distribution arrangements ("distribution payments"), cost of traffic acquisition (primarily search engine marketing expense), display advertising expense, direct response television advertising expense and our team of family advisors, salaries, editorial costs, market analysis and research costs, credit card processing fees, and allocated overhead. Distribution payments are made to website operators for visitors directed to our Online Network as well as to affiliates for insurance leads which we monetize through our distribution network as well as credit card offer clicks that are generated on our

Table of Contents

affiliated websites and monetized through our issuer network. These costs generally increase proportionately with revenue from our Online Network and distribution platforms. Editorial costs relate to writers and editors who create original content for our online publications and associates who build web pages. These costs have increased as we have added online publications and co-branded versions of our websites under distribution arrangements. Research costs include expenses related to gathering data on banking and credit products and consist primarily of compensation and benefits along with allocated overhead.

We are also involved in revenue sharing arrangements with our online partners where the consumer uses co-branded websites to which we provide web services. Revenue is effectively allocated to each partner based on the revenue earned from each website. The allocated revenue is shared according to distribution agreements.

Sales and Marketing

Sales and marketing costs represent direct selling expenses, principally for online advertising, expenses associated with expanding brand awareness of our products and services to consumers and include print and Internet advertising, marketing and promotion costs including email marketing and telephone marketing, and include compensation and benefits, sales commissions, allocated overhead, and stock-based compensation expense.

Product Development and Technology

Product development and technology costs represent compensation and benefits related to site development, network systems and telecommunications infrastructure support, programming, new product design and development, other technology costs, and stock-based compensation expense.

General and Administrative

General and administrative expenses represent compensation and benefits for executive, finance and administrative personnel, professional fees, stock-based compensation expense, allocated overhead and other general corporate expenses.

Acquisition, Disposition, Offering and Related Expenses

Acquisition, disposition, offering and related expenses represent direct expenses related to our acquisitions and offering and fees associated with our various offerings (e.g., the March 2014 secondary offering).

Changes in the Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration primarily consists of adjustments to the fair value of contingent acquisition consideration due to the passage of time, or changes to the underlying assumptions.

Depreciation and Amortization

Depreciation and amortization expense includes the cost of capital asset acquisitions spread over their expected useful lives on a straight-line basis. Leasehold improvements are depreciated over the underlying lease term, not to exceed twenty years. The depreciation periods are as follows:

	Estimated Useful Life
Furniture and fixtures	5-7 years
Computers and hardware	3-5 years
	3 years

L

Equipment

Leasehold improvements ≤ 20 years

Depreciation and amortization also includes the amortization of intangible assets, consisting primarily of trademarks and URLs, software licenses, customer relationships, agent/vendor relationships, developed technologies and non-compete agreements, all of which were either acquired separately or as part of business combinations recorded under the acquisition method of accounting.

Table of Contents

The amortization periods for intangible assets are as follows:

	Estimated Useful Life
Trademarks and URLs	2-25 years
Customer relationships	3-15 years
Affiliate relationships	1-15 years
Developed technologies	1-6 years

Interest and Other Expenses, Net

Interest and other expenses, net primarily consists of expenses associated with our long-term debt, amortization of the debt issuance costs, interest on acquisition-related payments, interest income earned on cash and cash equivalents and other income.

Income Tax Expense

Income tax expense consists of federal and state income taxes in the United States and taxes in certain foreign jurisdictions.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the period. We base our judgments, estimates and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. There have been no significant changes in our critical accounting policies or estimates during the nine months ended September 30, 2015 as compared to the critical accounting policies and estimates disclosed in management's discussion and analysis of financial condition and results of operations included in our

Annual Report on Form 10-K dated June 18, 2015 and filed with the SEC, except as updated in Note 1 in Notes to the Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 1 in Notes to Condensed Consolidated Financial Statements.

Results of Operations

The following is our analysis of the results of operations for the periods covered by our interim condensed consolidated financial statements. This analysis should be read in conjunction with our annual financial statements, including the related notes to the annual financial statements included within our Annual Report dated June 18, 2015 and filed with the SEC on Form 10-K.

Our chief operating decision maker manages, assesses performance and allocates resources based upon separate financial information from our operating segments (see Note 5 to our Condensed Consolidated Financial Statements for further information). In identifying our reportable segments, we also considered the nature of the services provided by our operating segments and other relevant factors. We aggregate certain of our operating segments into our reportable segments.

Management evaluates the operating results of each of our operating segments based upon revenue and “Adjusted EBITDA”, which we define as income from continuing operations before depreciation and amortization, interest, income taxes, changes in fair value of contingent acquisition consideration, stock-based compensation, and other items such as loss on extinguishment of debt, legal settlements, acquisition, disposition, offering and related expenses, the impact of purchase accounting, restructuring charges, any impairment charge, and costs related to unusual governmental actions, the Internal Review, the restatement of our financial statements and related litigation. Our presentation of Adjusted EBITDA, a non-GAAP measure, may not be comparable to similarly-titled measures used by other companies.

Table of Contents

The following table displays our results for the respective periods expressed as a percentage of total revenue.

Statement of Operations Data:	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	100%	100%	100%	100%
Costs and expenses:				
Cost of revenue	53%	60%	55%	59%
Sales and marketing	4%	4%	5%	4%
Product development and technology	7%	5%	6%	5%
General and administrative	15%	21%	14%	13%
Legal settlements	0%	(6%)	0%	0%
Acquisition, disposition, offering and related expenses	0%	0%	0%	1%
Restructuring charges	0%	0%	0%	0%
Changes in fair value of contingent acquisition consideration	0%	1%	0%	1%
Impairment charge	25%	1%	8%	0%
Depreciation and amortization	12%	11%	12%	11%
Total costs and expenses	116%	96%	100%	94%
(Loss) income from operations	(16%)	4%	0%	6%
Interest and other expenses, net	4%	4%	4%	4%
(Loss) income before taxes	(20%)	0%	(4%)	2%
Income tax (benefit) expense	(4%)	5%	0%	3%
Net loss from continuing operations	(17%)	(5%)	(4%)	(1%)
Net loss from discontinued operations, net of income taxes	0%	0%	0%	0%
Net loss	(17%)	(5%)	(4%)	(1%)

Three months ended September 30, 2015 compared to three months ended September 30, 2014

Revenue

Total revenue was \$140.8 million and \$141.7 million for the three months ended September 30, 2015 and 2014, respectively, representing a decrease of approximately \$0.9 million or 1%. Banking segment revenue decreased approximately \$1.4 million, Credit Cards revenue increased approximately \$6.6 million and Insurance revenue

decreased approximately \$10.1 million, while revenue in Other increased approximately \$4.0 million. See our segment results of operations discussion for further information.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2015 of \$74.7 million was \$10.8 million (13%) lower than the same period in 2014. The decrease was primarily attributed to lower distribution payments to our online partners of \$16.8, partially offset by higher paid marketing expense of \$4.5 million, higher employee compensation expense of \$1.1 million, higher web analytical expense of \$798,000 and other miscellaneous expenses.

Sales and Marketing

Sales and marketing expenses for the three months ended September 30, 2015 of \$6.2 million were flat over the same period in 2014.

Table of Contents

Product Development and Technology

Product development and technology costs for the three months ended September 30, 2015 of \$9.6 million were approximately \$2.2 million higher than the comparable period in 2014, primarily due to \$1.1 million of higher employee costs, including compensation and benefits, \$399,000 higher stock compensation expense, \$338,000 of higher outside labor costs and other expenses.

General and Administrative

General and administrative expenses for the three months ended September 30, 2015 of \$21.1 million were \$7.9 million lower than the same period in 2014, due primarily to \$17.2 million lower expenses related to the SEC investigation and financial audit, partially offset by approximately \$4.9 million higher stock compensation expense, \$1.8 million higher employee compensation expense, \$481,000 higher corporate costs related mainly to outside professional fees and insurance, \$468,000 higher contract labor costs, \$387,000 higher information technology costs, an increase of \$192,000 in facility costs and other expenses.

Legal Settlements

There were no legal settlement expenses in the three months ended September 30, 2015, while in the same period in 2014 we had a net benefit of approximately \$7.7 million due to insurers' commitments to reimburse us for the securities litigation settlement.

Acquisition, Disposition, Offering and Related Expenses

Acquisition, disposition, offering and related expenses for the three months ended September 30, 2015 was \$557,000 as compared to \$248,000 for the same period in 2014. The acquisition, disposition, offering, and related expenses for the three months ended September 30, 2015 were primarily related to costs associated with various ongoing acquisition and disposition activities.

Changes in Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration for the three months ended September 30, 2015 was \$348,000 due to the passage of time.

Changes in fair value of contingent acquisition consideration for the three months ended September 30, 2014 was \$682,000 and consisted of increases to the fair value due to the passage of time of \$695,000 and decrease to fair value due to a change in estimate of \$14,000.

Impairment Charge

Impairment charge for the three months ended September 30, 2015 of \$35.0 million was the result of an estimated impairment loss for the difference in the carrying value of our Insurance operating segment and its fair value due to a noted decline in its fair value. The step two analysis was not yet complete and an additional impairment charge may be recorded in the fourth quarter if the step two analysis identifies that the implied fair value is below carrying value.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended September 30, 2015 of \$16.2 million was \$1.2 million higher than the same period in 2014 primarily as a result of amortization expense in connection with our acquisitions and higher depreciation expense associated with increased internal capitalized software as compared to 2014.

Interest and Other Expenses, net

Interest and other expenses, net for the three months ended September 30, 2015 primarily consists of expenses associated with our Senior Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the three months ended September 30, 2015 was \$5.6 million, which primarily consisted of \$4.6 million in interest for the Senior Notes, \$665,000 for the amortization of deferred financing costs and original issue discounts on the Senior Notes and the Credit Agreement, and other expenses.

Interest and other expenses, net for the three months ended September 30, 2014 primarily consisted of expenses associated with long term debt, partially offset by other income and de minimis interest earned on cash equivalents. Interest and other expenses, net for the three months ended September 30, 2014 was \$5.2 million, which primarily consisted of \$4.6 million for the Senior Notes and \$552,000 for the amortization of deferred financing costs and original issue discount on the Senior Notes and the Credit Agreement.

Table of Contents

Income Tax Expense

Our effective tax rate was a benefit of 18.8% during the three months ended September 30, 2015 from an expense of 6297.3% in the same period in 2014, this change was primarily due to a tax charge taken in 2014 for the expense related to the SEC settlement, a tax effect of goodwill impairment and a release of an uncertain tax position in 2015.

Following is a discussion of the results of each of our reportable segments:

(In thousands)	Revenues		Adjusted EBITDA	
	Three months ended September 30, 2015	Three months ended September 30, 2014	Three months ended September 30, 2015	Three months ended September 30, 2014
Banking	\$ 26,979	\$ 28,355	\$ 7,427	\$ 10,078
Credit Cards	65,388	58,834	32,771	23,857
Insurance	41,554	51,611	4,661	6,627
Other	6,839	2,850	(4,923)	(4,142)
Total Company	\$ 140,760	\$ 141,650	39,936	36,420
Less:				
Interest and other expenses, net			5,558	5,231
Depreciation and amortization			16,157	14,964
Changes in fair value of contingent acquisition consideration			348	682
Stock-based compensation expense			9,756	4,404
Legal settlements			-	(7,732)
Acquisition, disposition, offering and related expenses			557	248
Restatement charges (A)			1,089	18,320
Impact of purchase accounting			-	193
Restructuring charges			93	-
Impairment charge			35,000	-
Income tax (benefit) expense			(5,369)	6,927
Net loss from continuing operations			\$ (23,253)	\$ (6,817)

(A) Restatement charges include expenses related to unusual governmental actions, the Internal Review, and restatement of our financial statements and related litigation.

Banking

Revenue decreased \$1.4 million (4.9%) for the quarter ended September 30, 2015 compared with 2014. Of the total revenue decrease, consumer inquiry revenues generated through our rate tables decreased by \$0.6 million (3.2%) primarily driven by lower yields on a higher volume of inquiries. Other revenue decreased by \$0.8 million primarily driven by lower unit pricing for display ads.

Adjusted EBITDA decreased \$2.7 million (26.3%), partially due to the decreased revenue. Expenses included in Adjusted EBITDA increased by \$1.3 million from the prior year period. Cost of revenue increased by \$0.2 million, primarily driven by increased paid marketing costs and partially offset by lower partner revenue share expenses. Sales and marketing expense was flat to prior year. Product development costs increased by \$0.6 million primarily due to higher compensation expense and the integration of LoanTek. General and administrative expenses increased \$0.5 million.

Credit Cards

Revenue increased \$6.6 million (11.1%) for the quarter ended September 30, 2015 compared with 2014. Of the total revenue growth, consumer inquiry revenues from our owned and operated sites grew by \$18.9 million (60.9%), of which higher volume and yields

Table of Contents

were the primary growth drivers. Consumer inquiry revenue growth was driven by higher advertising and marketing spend by credit card issuers through our owned and operated sites. However, overall growth was negatively impacted by lower affiliate revenues, which are at low margins. Other revenue, which is largely comprised of revenue generated through third-party affiliates, was down \$12.4 million.

Adjusted EBITDA increased \$8.9 million (37.4%). Expenses included in Adjusted EBITDA decreased \$2.3 million from the prior year period, primarily due to a \$4.2 million decrease in cost of revenue, mainly related to lower affiliate revenue share payments and partially offset by increased paid marketing. Sales and marketing expense was relatively flat to prior year. Product development and technology cost increased by \$0.7 million primarily due to higher compensation expense. General and administrative expenses were \$1.0 million higher, mainly attributed to higher compensation expense and travel costs.

Insurance

Revenue decreased \$10.1 million (19.5%) for the quarter ended September 30, 2015 compared with 2014. Of the total decrease in revenue, consumer inquiry revenues generated through our platform decreased by \$5.9 million (17.0%), which was driven by lower monetization. Other revenue, which is largely comprised of revenue generated through third-party affiliates, was down \$4.2 million.

Adjusted EBITDA decreased approximately \$2.0 million (29.7%). Expenses included in Adjusted EBITDA decreased \$8.1 million from the prior year period. Cost of revenue decreased \$8.1 million, primarily due to lower affiliate revenue share payments and paid marketing expense. Sales and marketing expense, product development and technology costs and general and administrative expenses were all primarily flat.

Other

The Other segment includes our Senior Care business along with general corporate expenses and intercompany eliminations. Revenue for the quarter ended September 30, 2015 compared with 2014 increased \$4.0 million, while Adjusted EBITDA decreased \$0.8 million. The revenue increase can be primarily attributed to our 2015 acquisitions and the growth of Caring.com, which was acquired in second quarter 2014.

Nine months ended September 30, 2015 compared to the nine months ended September 30, 2014

Revenue

Total revenue was \$415.2 million and \$408.3 million for the nine months ended September 30, 2015 and 2014, respectively, representing an increase of \$6.9 million or 2%. Banking segment revenue decreased \$7.8 million, Credit Cards revenue increased \$11.5 million and Insurance revenue decreased \$11.3 million, while revenue in Other increased \$14.5 million. See our segment results of operations discussion for further information.

Cost of Revenue

Cost of revenue for the nine months ended September 30, 2015 of \$228.2 million was \$14.0 million lower than the same period in 2014. The decrease was primarily attributed to lower distribution payments to our online partners of \$22.5 million partially offset by higher employee compensation expense of \$3.6 million, higher paid marketing expense of \$3.5 million, higher stock compensation expense of \$403,000 and higher web analytic costs of \$1.0 million.

Sales and Marketing

Sales and marketing expenses for the nine months ended September 30, 2015 of \$18.7 million were primarily flat to prior year.

Product Development and Technology

Product development and technology costs for the nine months ended September 30, 2015 of \$26.8 million were approximately \$5.5 million higher than the comparable period in 2014, primarily due to \$2.9 million of higher total employee costs, including compensation and benefits, \$1.5 million of higher stock compensation expense, \$651,000 in higher spend on analytics tools and production costs and \$379,000 higher outside labor costs, partially offset by a decrease of \$283,000 of technology spend and other costs.

Table of Contents

General and Administrative

General and administrative expenses for the nine months ended September 30, 2015 of \$57.7 million were \$4.4 million higher than the same period in 2014, due primarily to \$6.0 million higher stock compensation expense, \$4.4 million of higher total employee costs, \$940,000 higher corporate expenses including accounting, legal, insurance and other expenses, \$689,000 of higher facility costs, \$617,000 of higher consulting costs and \$556,000 increased information technology costs, partially offset by \$9.0 million in lower expenses related to the SEC investigation and financial audit.

Legal Settlements

Legal settlements decreased approximately \$1.5 million in the nine months ended September 30, 2015 from the same period in 2014 due to the securities litigation settlement during 2014.

Acquisition, Disposition, Offering and Related Expenses

Acquisition, disposition, offering and related expenses for the nine months ended September 30, 2015 was \$1.1 million as compared to \$2.8 million for the same period in 2014. The acquisition, disposition, offering, and related expenses for the nine months ended September 30, 2015 decreased primarily due to lower costs associated with various acquisition activities.

Changes in Fair Value of Contingent Acquisition Consideration

Changes in fair value of contingent acquisition consideration for the nine months ended September 30, 2015 was \$735,000 which consisted of a decrease in fair value due to a change in estimates of projected results of \$946,000, offset by an increase of approximately \$1.7 million due to the passage of time.

Changes in fair value of contingent acquisition consideration for the nine months ended September 30, 2014 was \$2.8 million and consisted of increases to the fair value due to the passage of time of \$2.3 million and increases to fair value due to a change in estimate of \$529,000.

Impairment Charge

Impairment charge for the nine months ended September 30, 2015 of \$35.0 million was the result of an estimated impairment loss for the difference in the carrying value of our Insurance operating segment and its fair value due to a noted decline in its fair value. The step two analysis was not yet complete and an additional impairment charge may be recorded in the fourth quarter if the step two analysis identifies that the implied fair value is below carrying value.

Depreciation and Amortization

Depreciation and amortization expense for the nine months ended September 30, 2015 of \$47.7 million was \$4.3 million higher than the same period in 2014 primarily as a result of amortization expense in connection with our acquisitions and higher depreciation expense associated with increased internal capitalized software as compared to 2014.

Interest and Other Expenses, net

Interest and other expenses, net for the nine months ended September 30, 2015 primarily consists of expenses associated with our Senior Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the nine months ended September 30, 2015 was \$17.2 million, which primarily consisted of \$13.8 million for the Senior Notes and \$1.9 million for the amortization of deferred financing costs and original issue discounts on the Senior Notes and the Credit Agreement and a \$1.2 million charge related to the exit of an office lease.

Interest and other expenses, net for the nine months ended September 30, 2014 primarily consisted of expenses associated with long term debt, partially offset by other income and de minimis interest earned on cash equivalents. Interest and other expenses, net for the nine months ended September 30, 2014 was \$15.6 million, which primarily consisted of \$13.8 million for the Senior Notes and \$1.6 million for the amortization of deferred financing notes and original issue discount related to the Senior Notes and the Credit Agreement.

Table of Contents

Income Tax Expense

Our effective tax rate changed to a benefit of 3.2% during the nine months ended September 30, 2015 from an expense of 160.3% in the same period in 2014, this change is primarily attributed to a tax charge taken in 2014 for the expense related to the SEC settlement, the tax effect of goodwill impairment and a release of an uncertain tax position in 2015.

Following is a discussion of the results of each of our reportable segments:

(In thousands)	Revenues		Adjusted EBITDA	
	Nine months ended September 30, 2015	September 30, 2014	Nine months ended September 30, 2015	September 30, 2014
Banking	\$ 82,121	\$ 89,955	\$ 27,187	\$ 34,267
Credit Cards	178,215	166,720	84,675	65,833
Insurance	137,987	149,288	17,511	18,795
Other	16,843	2,329	(13,241)	(13,231)
Total Company	\$ 415,166	\$ 408,292	\$ 116,132	\$ 105,664
Less:				
Interest and other expenses, net (A)			17,250	15,583
Depreciation and amortization			47,719	43,410
Changes in fair value of contingent acquisition consideration			735	2,832
Stock-based compensation expense			21,609	12,742
Legal settlements			3	1,459
Acquisition, disposition, offering and related expenses			1,131	2,810
Restatement charges (B)			10,647	19,600
Impact of purchase accounting			34	413
Restructuring charges			93	-
Impairment charge			35,000	-
Income tax (benefit) expense			(586)	10,927
Net loss from continuing operations			\$ (17,503)	\$ (4,112)

(A) 2015 includes a \$1.2 million charge related to the exit of an office lease.

(B) Restatement charges include expenses related to unusual governmental actions, the Internal Review, and restatement of our financial statements and related litigation.

Banking

Revenue decreased \$7.8 million (8.7%) for the nine months ended September 30, 2015 compared with 2014. Of the total revenue decrease, consumer inquiry revenues generated through our rate tables decreased by \$2.9 million (5.4%) due to a change in product mix which resulted in lower average unit pricing. Other revenue decreased by \$4.9 million primarily driven by a decline in sold advertising impressions.

Adjusted EBITDA decreased \$7.1 million (20.7%) due primarily to reduced revenue. Expenses included in Adjusted EBITDA decreased \$0.7 million from the prior year period. Cost of revenue declined by \$2.3 million, primarily driven by lower partner revenue share expenses partially offset by an increase in paid marketing costs. Sales and marketing expense declined by \$0.6 million, mainly attributed to lower variable compensation and promotional expense. Product development costs increased by approximately \$1.6 million primarily due to increased spend on analytics and higher compensation expense. General and administrative expenses increased \$0.5 million.

Credit Cards

Revenue increased \$11.5 million (6.9%) for the nine months ended September 30, 2015 compared with 2014. Of the total revenue growth, consumer inquiry revenues from our owned and operated sites grew by \$34.1 million (38.0%), of which higher yields through

Table of Contents

the click and call mix was the primary growth driver. Consumer inquiry revenue growth was driven by higher advertising and marketing spend by credit card issuers through our owned and operated sites. However, overall growth was negatively impacted by lower affiliate revenues, which are at low margins. Other revenue, which is largely comprised of revenue generated through third-party affiliates, was down \$22.6 million.

Adjusted EBITDA increased \$18.8 million (28.6%). Expenses included in Adjusted EBITDA decreased \$7.3 million from the prior year period, primarily due to an \$11.2 million decrease in cost of revenue, mainly related to lower affiliate revenue share payments and paid marketing expense. Sales and marketing expense was relatively flat. Product development and technology cost increased by \$1.2 million primarily due to higher compensation and benefit expense and other expenses. General and administrative expenses were \$2.5 million higher, mainly attributed to higher compensation and benefit expense.

Insurance

Revenue decreased \$11.3 million (7.6%) for the nine months ended September 30, 2015 compared with 2014. Of the total decrease in revenue, consumer inquiry revenues generated through our platform decreased by \$4.7 million (4.8%), which was primarily driven by lower monetization. Other revenue, which is largely comprised of revenue generated through third-party affiliates, was down \$6.6 million.

Adjusted EBITDA decreased \$1.3 million (6.8%) on the decreased revenues. Expenses included in Adjusted EBITDA decreased \$10.0 million from the prior year period, cost of revenue decreased by \$8.7 million primarily due to lower paid marketing expenses and lower affiliate revenue share payments. Sales and marketing expense was \$1.1 million lower, primarily attributed to lower agent promotional spend, employee compensation expense and commission expense. Product development and technology cost increased by \$0.2 million. General and administrative expenses were \$0.4 million lower.

Other

The Other segment includes our Senior Care business along with general corporate expenses and intercompany eliminations. Revenue for the nine months ended September 30, 2015 compared with 2014 increased \$14.5 million, while Adjusted EBITDA was flat. The revenue increase can be attributed to our 2015 acquisitions and the growth of Caring.com, which was acquired in second quarter 2014.

Liquidity and Capital Resources

(In thousands)	September 30, 2015	December 31, 2014	Change
Cash and cash equivalents	\$ 144,611	\$ 141,725	\$ 2,886
Working capital	\$ 195,619	\$ 176,213	\$ 19,406
Stockholders' equity	\$ 810,998	\$ 823,286	\$ (12,288)

Our principal ongoing source of operating liquidity is the cash generated by our business operations. We consider all highly liquid debt investments purchased with an original maturity of less than three months to be cash equivalents.

Our primary uses of cash have been to fund our working capital and capital expenditure needs, fund acquisitions, and service our debt obligations. We believe that we can generate sufficient cash flows from operations to fund our operating and capital expenditure requirements, as well as to service our debt obligations, for the next 12 months. In the event we experience a significant adverse change in our business operations, we would likely need to secure additional sources of financing.

As of September 30, 2015, we had working capital of \$195.6 million and our primary commitments were normal working capital requirements and \$2.3 million in accrued interest for the Senior Notes. In addition, we have commitments for potential earn out obligations related to past acquisitions totaling \$13.7 million as of September 30, 2015.

As of December 31, 2014, we had working capital of \$176.2 million and our primary commitments were normal working capital requirements and \$7.0 million in accrued interest for the Senior Notes. We had commitments for potential earn out obligations related to past acquisitions totaling \$19.0 million as of December 31, 2014.

We assess acquisition opportunities as they arise. Financing may be required if we decide to make additional acquisitions or if we are required to make any earnout payments to which the former owners of our acquired businesses may be entitled. There can be no assurance, however, that any such opportunities may arise, or that any such acquisitions may be consummated. Additional financing may not be available on satisfactory terms or at all when required.

Table of Contents

Debt Financing

Senior Notes

As of September 30, 2015, we had \$300.0 million in Senior Notes outstanding for which interest is accrued daily on the outstanding principal amount at 6.125% and is payable semi-annually, in arrears, on February 15th and August 15th. The Senior Notes are due August 15, 2018. Accrued interest on the Senior Notes as of September 30, 2015 is approximately \$2.3 million. Refer to Note 10 in the Notes to Condensed Consolidated Financial Statements for a further description of the Senior Notes.

Revolving Credit Facility

We have a Revolving Credit Facility in an aggregate amount of \$70.0 million which matures on May 17, 2018 ("Revolving Credit Facility"). All obligations under the Revolving Credit Facility are guaranteed by the Guarantors and are secured, subject to certain exceptions, by first priority liens and security interests in the assets of the Company and the Guarantors.

As of September 30, 2015, we had no amount outstanding under the Revolving Credit Facility and we were in compliance with all required covenants.

Operating Activities

During the nine months ended September 30, 2015, operating activities from continuing operations provided cash of \$67 million compared to \$19.4 million during the nine months ended September 30, 2014. This increase is mainly due to a tax refund of \$6.3 million during the nine months ended September 30, 2015 compared to taxes paid of \$35.8 million in nine months ended September 30, 2014, and an increase of \$31.5 million in net income excluding non-cash charges (primarily depreciation and amortization, stock-based compensation, changes in fair value of contingent acquisition consideration and the impairment charge) compared to prior year, partially offset by a decrease in working capital changes in operating assets and liabilities of \$25.9 million compared to prior year.

Investing Activities

For the nine months ended September 30, 2015, cash used in investing activities of continuing operations was \$41 million and primarily consisted of business acquisitions of \$30.8 million and purchases of furniture, fixtures, equipment and capitalized website development costs of \$10.2 million.

For the nine months ended September 30, 2014, cash used in investing activities of continuing operations was \$69.5 million primarily consisting of \$62.2 million of business acquisitions and \$7.4 million for purchases of furniture, fixtures, equipment and capitalized website development costs.

Financing Activities

For the nine months ended September 30, 2015, cash used in financing activities of continuing operations was \$23.2 million due to the repurchase of Company's stock of \$15.7 million and \$7.5 million of payments of contingent acquisition consideration.

For the nine months ended September 30, 2014, cash used by financing activities from continuing operations was \$47.7 million primarily due to the repurchase of Company's stock of \$57.8 million and the payment of contingent acquisition consideration of \$12.7 million, partially offset by the proceeds from the exercise of stock options of \$22.8 million.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements include the following four categories: obligations under certain guarantees or contracts; retained or contingent interests in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations under material variable interests.

Besides our Senior Notes, we have not entered into any material arrangements which would fall under any of these four categories and which would be reasonably likely to have a current or future material effect on our results of operations, liquidity or financial condition.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The primary objective of our investment strategy is to preserve principal while maximizing the income we receive from investments without significantly increasing risk. To minimize this risk, to date we have maintained our portfolio of cash equivalents in short-term and overnight investments that are not subject to market risk, as the interest paid on such investments fluctuates with the prevailing interest rates. As of September 30, 2015, all of our cash equivalents mature in less than three months.

None of our outstanding debt as of September 30, 2015 was subject to variable interest rates as we did not have an outstanding balance for borrowed money under our Revolving Credit Facility as of September 30, 2015. Interest under the Revolving Credit Facility accrues at variable rates based, at our option, on the alternate base rate (as defined in the Revolving Credit Facility) plus a margin of 3.0% or at the adjusted LIBO rate (as defined in the Revolving Credit Facility) plus a margin of 2.0%. Our fixed interest rate debt includes \$300 million of the Senior Notes in the aggregate principal amount.

Exchange Rate Sensitivity

Our exposure to exchange rate risk is primarily that of a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's revenue and gross margins as expressed in U.S. dollars. Additionally, we have not engaged in any derivative or hedging transactions to date.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

In accordance with Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act, as amended (the "Exchange Act"), management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2015 and determined that the disclosure controls and procedures were not effective at a reasonable assurance level as of that date. Management based its conclusion on

the fact that the material weakness in the operating effectiveness of our internal control over financial reporting that existed at December 31, 2014, as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on June 18, 2015 (the "2014 Annual Report"), had not been remediated at September 30, 2015, as the Company was still in the process of fully implementing or testing the effectiveness of various remediation measures. For a description of the material weakness, see Part II, Item 9A in the 2014 Annual Report.

Management has taken and is taking steps, as described below under "Remediation Plan," to remediate the material weakness in the operating effectiveness of our internal control over financial reporting. We believe that, as a result of management's in-depth review of its accounting processes, and the additional procedures management has implemented, there are no material inaccuracies or omissions of material fact in this Form 10-Q and, to the best of our knowledge, we believe that the condensed consolidated financial statements in this Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows in conformity with GAAP.

Remediation Plan

We and our Board treat the control and integrity of our financial statements with the utmost priority. Management is committed to the planning and implementation of remediation efforts to address control deficiencies and any other identified areas of risk. These remediation efforts, which are either implemented or in process, are intended to both address the identified material weakness and to enhance our overall financial control environment. In particular:

- we replaced our CFO, and certain other persons formerly involved in our financial reporting function are no longer with the Company.
- we appointed a Corporate Controller, a VP/Director of Taxation, a Vice President of Internal Audit, a Vice President of Finance at an operating subsidiary, a Senior Director of External Reporting and a Senior Director of Financial Systems.
- we have hired and will add, as needed, additional experienced Certified Public Accountants in the corporate office.
- our Audit Committee conducted an intensive review, with the assistance of its own independent counsel and independent forensic accountants, of journal entries, vendor invoices, e-mail, and other documents relating to areas in which errors, irregularities or control deficiencies might exist.

Table of Contents

- we have implemented efforts to restructure accounting processes, centralize certain accounting functions, and revise organizational structures to enhance accurate accounting and appropriate reporting.
- we have implemented efforts to strengthen interim and annual financial review controls to function with a sufficient level of precision to detect and correct accounting errors on a timely basis, strengthened the internal operating unit certification process, and established a Disclosure Committee with formalized processes to support the integrity of external financial reporting.
- we appointed two new independent directors.
- we will further develop our programs to provide ongoing communications and training to employees across the entire organization regarding the importance of integrity and accountability and our whistleblower program.

We are committed to maintaining a strong internal control environment, and we believe the measures described above will strengthen our internal control over financial reporting and remediate the material weakness we have identified. In addition, for a reasonable period of time following the date of our 2014 Annual Report, the independent counsel and independent forensic accountants advising the Audit Committee will conduct periodic separate evaluations of our internal control environment. Although meaningful progress has been made in our remediation efforts, we will continue to devote significant time and attention to these remedial efforts, and expect to complete the required remedial actions during 2015. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to strengthen controls or to modify the remediation plan described above, which may require additional implementation time.

Changes in Internal Control over Financial Reporting

Other than the changes described above under “Remediation Plan” that occurred during the quarter ended September 30, 2015, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information with respect to legal proceedings is incorporated by reference from Note 9 of our Condensed Consolidated Financial Statements included herein.

Item 1A. Risk Factors

An investment in our securities involves risk. You should carefully consider the following risk factors and those set forth in our Annual Report on Form 10-K for the year ended December 31, 2014, as well as the other information included in this Quarterly Report, before investing in our securities. You should be aware that these risk factors and other information may not describe every risk facing our Company. Any of these risks could materially and adversely affect our business, financial condition, results of operations or prospects, and cause the value of our securities to decline, which could cause you to lose all or part of your investment in our Company.

The following is an update to the “Risks Related to the Restatement and Other Accounting Issues” set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2014.

The Company faces a risk of substantial damages in class action litigation for alleged violations of the anti-fraud provisions of the Securities Exchange Act of 1934 and for alleged false registration statements and prospectuses under the Securities Act of 1933.

In September and October 2014, the Company and certain of its current and former officers and directors were named as defendants in putative class action lawsuits alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and Sections 11 and 12 of the Securities Act of 1933. One such lawsuit remains pending captioned *The City of Los Angeles v. Bankrate, Inc., et al.* The action alleges, among other things, that the Company’s 2011, 2012, and 2013 financial statements improperly recognized revenues and expenses and therefore were materially false and misleading. In February 2015, the complaint was amended to add allegations relating to the Company’s March 2014 secondary offering of Company common stock. See Note 9 of the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report for additional discussion of this litigation. If the Company is found liable for violations of the securities laws as alleged in the putative class action, it could be required to pay substantial amounts for damages for losses to purchasers of Company securities during the class period and for damages to persons who purchased the 16.1 million shares of Company stock sold in the March 2014 secondary offering at \$18.25 per share. While the plaintiff in the class action has not specified the amount of damages and the Company cannot presently estimate such amount, a class-wide damages award could have a materially adverse impact on our business, financial condition, results of operations

Table of Contents

and cash flows. In addition, this lawsuit could require significant management time and attention and result in significant legal expenses.

The following supplements the risks set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2014:

Risks Related to the Sale of Our Insurance Business

The proposed sale of our Insurance business is subject to closing conditions, including conditions that may not be satisfied within the expected time period, if at all. The failure to complete the proposed sale, or a significant delay in completing the proposed sale, could adversely affect the price of our common stock and otherwise have an adverse effect on us.

The completion of the proposed sale of our Insurance business is not assured and is subject to a number of closing conditions and risks, including the risk that we do not obtain the clearances required under the Hart-Scott-Rodino Antitrust Improvement Acts of 1976, as amended, and any other applicable antitrust laws, and the risk that other closing conditions are not satisfied. If the proposed sale is not completed, or if there are significant delays in completing the proposed sale, the trading price of our common stock and our future business and financial results could be adversely affected.

A failed transaction may result in negative publicity or a negative impression of us in the investment community and may affect our relationship with employees, customers, suppliers and other business partners. Accordingly, if the proposed sale is not completed, the trading price of our common stock may be adversely affected.

In the event of a failed transaction, we will still have to pay certain costs associated with the proposed sale, which will be significant and will primarily consist of legal fees, financial advisor fees and other related costs. These costs could adversely affect our operations and cash flow position.

We may not receive some or all of the deferred compensation payable by All Web Leads under the Purchase Agreement, which could adversely affect our operations.

The Equity Purchase Agreement (the "Purchase Agreement") with All Web Leads, Inc. provides that \$25.0 million of the \$165.0 million aggregate purchase price payable to us as consideration for the sale of our Insurance business to All

Web Leads will be paid on the second anniversary of the closing date. If All Web Leads is unable to pay the deferred payment amount in full on or before the second anniversary of the closing date as a result of restrictions under its credit agreement, All Web Leads will pay us as much of the deferred payment amount as is permitted under its credit agreement and deliver to us a subordinated promissory note in a principal amount equal to the unpaid portion of the deferred payment amount plus interest accrued at 8.0% per annum from the date of closing on such unpaid portion. The promissory note will have an interest rate of one-year LIBOR plus 8.0% per annum and will mature on the date that is six months after the maturity date of All Web Leads' credit facility. Both the deferred compensation payable under the Purchase Agreement and the obligations under promissory note, if it is issued in lieu of cash payment, will be subordinated to All Web Leads' senior indebtedness.

We have no assurance that All Web Leads can or will perform its payment and other obligations with respect to the deferred compensation payable under the Purchase Agreement or under the promissory note, if it is issued in lieu of cash payment. If All Web Leads is unable to perform its obligations with respect to the deferred compensation payable under the Purchase Agreement or under the promissory note, if it is issued in lieu of cash payment, our receipt of the full amount of the deferred compensation payable under the Purchase Agreement may be delayed or may not be collectible at all. Additionally, we may incur significant legal fees in pursuing collection of the deferred compensation payable under the Purchase Agreement or under the promissory note, if it is issued in lieu of cash payment. Any such delay, additional costs, loss or nonpayment could adversely affect our ability to fund our remaining operations.

The tax benefits attributable to the proposed sale may not be realized.

The proposed sale of our Insurance business is expected to result in certain tax benefits. If the transaction fails to close, or if the U.S. Internal Revenue Service disagrees with our treatment of the transaction for tax purposes, we may not realize some or all of the tax benefits we anticipate from the proposed sale. The failure to receive some or all of the tax benefits attributable to the proposed sale may adversely affect our operations and financial position.

Our Insurance Business Will Be Subject to Business Uncertainties and Contractual Restrictions While the Sale is Pending.

Uncertainty about the effect of the sale on employees, customers, partners, and suppliers may have an adverse effect on the Insurance business and, consequently, on the Company. These uncertainties may impair our ability to retain and motivate key personnel and

Table of Contents

could cause customers, partners, suppliers, and others that deal with our Insurance business to defer entering into contracts with, or making other decisions concerning, us or to seek to change existing business relationships with us. The loss or deterioration of relationships with significant customers, partners, or suppliers could have an adverse effect on us. In addition, the Purchase Agreement restricts us from taking other specified actions until the sale closes without the consent of the buyer. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the sale.

We are subject to provisions under the Purchase Agreement that limit our ability to pursue alternatives to the proposed sale and that could discourage a potential competing acquirer from making a favorable alternative transaction proposal to us.

Under the Purchase Agreement, we are restricted from entering into alternative acquisition transactions for the sale of our Insurance business. Unless and until the Purchase Agreement is terminated, subject to limited exceptions, we are restricted from, among other things, negotiating or entering into any agreement or any transaction involving a merger, purchase or disposition of any of the assets of our insurance business and knowingly encouraging, soliciting or initiating discussions, negotiations or submissions of proposals or offers for competing acquisition transactions. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of our insurance business from considering or proposing that acquisition, even if such third party were prepared to pay more consideration.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Company Purchase of Equity Securities

The following table sets forth the Company's purchases of equity securities for the periods indicated:

	Maximum Number (or Approximate Dollar Value) of Shares That May
Total Number of Shares Purchased as	

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Part of Publicly Announced Plans or Programs	Yet Be Purchased Under the Plans or Programs (A)
July 1, 2015 through July 31, 2015	-	\$ -	-	\$ -
August 1, 2015 through August 31, 2015	-	\$ -	-	\$ -
September 1, 2015 through September 30, 2015 (A)	1,231,680	\$ 10.63	1,231,680	\$ 61,903,495

(A) On September 10, 2015 the Company's Board of Directors authorized a \$75,000,000 share repurchase program which allows the Company to repurchase shares of its common stock in open market or private transactions. The program will expire on December 31, 2016.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
10.32	Form of Bankrate, Inc. 2015 Equity Compensation Plan (incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on August 26, 2015)
10.33	Executive agreement between Bankrate, Inc. and Kenneth Scott Kim, dated September 14, 2015
10.34	Separation agreement, dated November 2, 2015, by and between Bankrate, Inc. and Donaldson M. Ross (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 5, 2015)
31.1*	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Bankrate, Inc.

Date: November 6, 2015 By: /s/ Steven
D. Barnhart
Steven D.
Barnhart
Senior Vice
President,
Chief
Financial
Officer

(Mr.
Barnhart is
the
Principal
Financial
Officer and
has

been duly
authorized
to sign on
behalf of
the
Registrant)