

BANKRATE INC  
Form 10-K  
March 13, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D. C. 20549**  
**FORM 10-K**

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

For The Fiscal Year Ended December 31, 2008

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. 0-25681

(exact name of registrant specified in its charter)

**Florida**  
(State or other jurisdiction of  
incorporation or organization)

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

**11760 U.S. Highway One, Suite 200**

**North Palm Beach, Florida 33408**

(Address of principal executive offices) (zip code)

**Registrant's telephone number, including area code: (561) 630-2400**

**Securities registered pursuant to Section 12(b) of the Act:**

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**Title of Each Class**

Common Stock, \$0.01 par Value

**Name of Each Exchange on Which Registered**

The NASDAQ Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company, in Rule 12b-2 of the Exchange Act.  Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)  Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant, based on the price at which the Common Stock was last sold on June 30, 2008 as reported by the NASDAQ Global Select Market was approximately \$557,756,000. As of February 27, 2009, the registrant had outstanding 18,816,986 shares of Common Stock.

### Documents Incorporated By Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on June 17, 2009, are incorporated by reference in Part III.

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**Introductory Note**

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and similar words are intended to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 1A. Risk Factors and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K, as well as:

the willingness of our advertisers to advertise on our web sites;

interest rate volatility and our ability to manage the fluctuations in the demand for our advertisements;

our ability to develop and maintain a strong brand;

our ability to establish and maintain distribution arrangements;

our ability to integrate the business and operations of companies that we have acquired, and those we may acquire in the future;

our ability to realize expected benefits, including synergies, of companies that we have acquired, and those that we may acquire in the future;

our ability to maintain the confidence of our advertisers by detecting click-through fraud and unscrupulous advertisers;

the effects of unexpected liabilities we assume from our acquisitions;

the effects of expanding our operations internationally;

the impact of lawsuits to which we are a party;

the ability of consumers to access our Online Network through non-PC devices;

increased competition and its effect on our web site traffic, advertising rates, margins, and market share;

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our ability to manage traffic on our web sites and service interruptions;

our ability to protect our intellectual property;

the effects of facing liability for content on our web sites;

the concentration of ownership of our common stock;

the fluctuations of our results of operations from period to period;

the accuracy of our financial statement estimates and assumptions;

our ability to adapt to technological changes;

the impact of legislative or regulatory changes affecting our business;

changes in consumer spending and saving habits;

changes in accounting principles, policies, practices or guidelines;

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the effect of provisions in our Articles of Incorporation, Bylaws and certain laws on change-in-control transactions;

effect of changes in the stock market and other capital markets;

the strength of the United States economy in general;

changes in monetary and fiscal policies of the United States Government;

other risks described from time to time in our filings with the Securities and Exchange Commission; and

our ability to manage the risks involved in the foregoing.

Other factors besides those referenced could adversely affect our results and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us herein speak as of the date of this Annual Report. We do not undertake to update any forward-looking statement, except as required by law.

**PART I**

**Item 1. Business Overview**

Bankrate, Inc. and its subsidiaries (the Company, Bankrate, we, us, our ) operate a traditional media business on the Internet. Bankrate.com, our flagship Web site, is one of the leading web sites for personal financial information and advice according to comScore Media Metrix.

Bankrate.com had nearly 53 million unique visitors for the year ended December 31, 2006, nearly 60 million unique visitors for the year ended December 31, 2007, and nearly 72 million unique visitors for the year ended December 31, 2008 according to Omniture, a web analytics tool.

Since 2007, we have strategically broadened and diversified our product, content and consumer offerings through acquisitions and development activities. We now:

Expanded financial applications and information to a network of online distribution partners and national, regional and local publications;

Offer online visitors competitive insurance rates for auto, home life, health and long-term care;

Market a comprehensive line of consumer and business credit cards;

Maintain an open marketplace to break down complicated vendor fees associated the mortgage loan process, empowering consumers with comprehensive information to make informed decisions and reduce their real estate and mortgage transaction costs; and

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Offer editorial listings and other products that assist consumers and financial professionals learn more about options for college financing;

Launched our Bankrate China web site offering Chinese consumers with similar types of financial education programs that Bankrate.com provides.

As a result of these acquisitions, our entire Internet-based consumer banking and personal finance network ( Online Network ) includes Bankrate.com, Interest.com, Bankaholic.com, Mortgage-calc.com, CreditCardGuide.com, Nationwidecardservices.com, creditcardsearchengine.com, Savingforcollege.com, Feedisclosure.com, Insureme.com, and Bankrate.com.cn (China).

In addition to our Online Network, we also produce traditional print products, including the *Mortgage Guide* and the *CD & Deposit Guide*, as well as three newsletters. We also syndicate our original editorial content to major print publications such as The Wall Street Journal, The New York Times, USA Today and others.

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### **Our Growth**

Bankrate was founded approximately 30 years ago as a print publisher of the newsletter *Bank Rate Monitor*. From 1976 through 1996, our principal business was the publication of print newsletters, the syndication of unbiased editorial bank and credit product research to newspapers and magazines and advertising sales of the *Mortgage Guide* and the *CD & Deposit Guide*, a newspaper-advertising table consisting of product and rate information from local mortgage companies and financial institutions. The company that we operate today was incorporated in the State of Florida in 1993.

In 1996, we began our online operations by placing our editorially unbiased research on our web site, Bankrate.com. By offering our information online, we created new revenue opportunities through the sale of graphical and hyperlink advertising associated with our rate and yield tables. Over the following decade, we implemented a strategy to concentrate on building our online operations, and have added to and complimented these operations through acquisitions.

We now regularly survey more than 4,800 financial institutions in more than 575 markets in all 50 states to compile current, objective, and unbiased information. Because we have developed a reputation of providing current, objective, and unbiased information, hundreds of print and online partner publications have come to depend on us as their trusted source for financial rates and information.

As part of our strategic expansion, several developments have occurred since January 1, 2008. First, on February 5, 2008, we acquired certain assets and liabilities of InsureMe, Inc. ( InsureMe ) for \$65 million in cash with an additional \$20 million in potential cash earn-out payments (\$10 million paid in February 2009 related to the year ended December 31, 2008) based on achieving certain performance metrics over the next two years. InsureMe, based in Englewood, Colorado, operates a web site and has a relationship with a network of hundreds of affiliates that offer consumers competitive insurance rates for auto, home, life, health and long-term care. InsureMe sells consumer leads to insurance providers who in turn provide consumers quotes for a variety of consumer insurance products.

Second, also on February 5, 2008, we acquired certain assets and liabilities of Lower Fees, Inc. ( Fee Disclosure ) for \$2.85 million in cash and an additional amount in cash in potential earn-out payments based on the achievement of certain financial performance metrics over the next five years. Fee Disclosure, based in Westlake Village, California, developed a patent pending online portal to create an open marketplace to break down complicated vendor fees associated with the mortgage closing process. Fee Disclosure empowers consumers with comprehensive information to make informed real estate decisions and reduce their real estate and mortgage transaction costs. The operations of this acquisition have been under development in 2008 and will require additional development in 2009. We believe that the acquisition will begin to make a revenue contribution in late 2009 or early 2010. See Item 3. Legal Proceedings for a discussion of a legal matter concerning this acquisition.

Third, in April 2008, we launched our Bankrate China web site (Bankrate.com.cn). Bankrate China provides Chinese consumers with similar types of financial education programs that Bankrate.com provides to the domestic consumer with our financial basics, guides, calculators, product comparisons and rate information. To date, no material revenue has been generated by Bankrate China nor do we anticipate a material revenue contribution in 2009.

Fourth, on September 5, 2008, we completed the acquisition of certain assets and liabilities of LinkSpectrum Co., a North Carolina corporation, for \$34.1 million in cash with an additional \$10 million in potential cash earn-out payments based on achieving certain financial performance metrics over the next two years. The principal asset of LinkSpectrum Co. was its web site, CreditCardGuide.com ( CCG ), which offers online users the ability to shop, compare and apply for credit cards online. We paid \$30.9 million in cash on September 5, 2008, and \$3.2 million in cash was placed in escrow to satisfy certain indemnification obligations of LinkSpectrum Co. and its sole shareholder.

Fifth, on September 23, 2008, we completed the acquisition of certain assets and liabilities of Blackshore Properties, Inc. ( Blackshore ), a California corporation, for \$12.4 million in cash with an additional \$2.5 million



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in potential cash earn-out payments based on achieving certain performance metrics over the next twelve months. The principal asset of Blackshore was its web site, Bankaholic.com ( Bankaholic ), which offers online users rate and product information as well as research tools on a variety of financial products including mortgage loans and lender information, certificates of deposit, money market accounts, savings accounts, credit cards, insurance quotes and college savings plans. We paid \$11.9 million in cash on September 23, 2008, and \$500,000 in cash was placed in escrow to satisfy certain indemnification obligations of Blackshore and its sole shareholder.

### **Our Success**

We believe that an important component of our success has resulted from being recognized as a leader in providing fully researched, comprehensive, independent, objective financial content and data. As a result, we continue to maximize distribution of our research to gain brand recognition as a research authority. We continue to build greater brand awareness of our Online Network and to reach a greater number of online users.

Our efforts during the past several years have been focused on developing Bankrate.com into a leading destination web site for consumer banking and personal finance information. Key drivers of our business include the content we produce, the number of in-market consumers visiting our Online Network, the page views they generate, and the demand of our Online Network advertisers. Since 2001, the number of advertisers on our web sites has grown steadily. Annual unique visitors and page views have grown from approximately 40 million and 237 million in 2001, to almost 72 million and 687 million in 2008, respectively.

Additionally, we have broadened the focus of our financial products research from 100 financial products in 155 markets in 2001 to more than 300 financial products in approximately 575 markets today. Our marketing efforts to generate traffic have evolved from primarily non-cash intensive programs such as sweepstakes and promotions into today's key word search engine advertising campaigns, distribution of print editorial content including the Bankrate.com URL on all editorial and print listings, and extensive major news network television coverage of our on-staff CFA with Bankrate, Inc., referenced as the authority on consumer personal finance research. In 2001, we syndicated our editorial content and research to 97 newspapers compared to today's 152 newspapers.

### **Our 2009 Outlook**

The global and U.S. economies are experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system in the past year, and that trend appears to be continuing into 2009. Dramatic declines in the housing market during the past year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail.

Current market turmoil and tightening of credit have led to an increased level of consumer and commercial delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has, in some cases, adversely affected the financial services industry. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on our advertisers and our online users, which may have a negative impact on our revenues and profitability in a variety of ways, including but not limited to the following:

Consolidation of and the financial challenges confronting our advertisers can increase the bargaining power of our advertisers during new and renewal contract negotiations which may lower our net revenues.

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Our advertisers may decrease advertising, thereby reducing our net revenues.

Tightening of credit availability can impact our revenues by limiting the need to advertise for loan and deposit products. With the backdrop of the severe global economic crisis, in 2009, we are focusing on:

Integrating our recent acquisitions to maximize synergies and efficiencies.

Optimizing the revenue of our cost per thousand impressions ( CPMs ) and cost per clicks ( CPCs ) on our Online Network including the integration of the new acquisitions.

Completing the successful launch of our web site re-design.

Expanding our co-brand and affiliate footprint.

Increasing advertising for our *CD & Deposit Guide* rate tables.

Broadening the breadth and depth of the personal finance content and products that we offer on our Online Network.

Containing our cost and expenses.

**Our Opportunity**

We believe many financial services customers remain relatively uninformed with respect to financial products and services and often rely upon personal relationships when choosing such products and services. It is our belief that many of these products and services are not well explained, and viable, equivalent alternatives typically are not presented when marketed to consumers through traditional media. As the marketing of many of these products and services moves to the Internet, consumers seek new sources of independent objective information such as Bankrate.com to facilitate and support their buying decisions. The interactive nature of the Internet allows us to display extensive research on financial products and services previously unavailable to consumers.

According to a 2007 Federal Reserve survey:

	Transaction Accounts	CDs	Stock Holdings	Home- Secured Debt	Installment Loans	Credit Card Balances	Any Debt
% of American Families that have:	92.1	16.1	51.1	48.7	46.9	46.1	77.0

We believe the majority of financial information available on the Internet is oriented toward investment advice and providing business news and stock market information, rather than personal and consumer finance information, advice and interest rate data. Our efforts are targeted to fulfill the slightly less competitive, but equally important demand for consumer banking and personal finance information. As a result, we believe we can maintain a loyal base of online users comprised of targeted audiences that are attractive to our advertisers.

We have seen increased interest in our primary niches mortgages, automobile loans, home equity loans, CD/savings accounts, credit cards, college savings plans, and insurance products. Our ability to provide a platform for frictionless communication between consumers and businesses has not changed. We believe that we are well-positioned to benefit from growth in the Internet personal finance advertising market.



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### **Strategy**

We believe that the consumer banking and personal finance sectors hold significant opportunities for growth and expansion. As we grow, we seek to consolidate our position as the industry leader in the gathering of rate data and to expand our brand recognition with consumers and partners. Elements of our strategy include:

*Continuing to provide advertisers with high-quality, ready-to-transact consumers:* By advertising on our Online Network, banks, brokers, insurance companies, credit card issuers and other advertisers are tapping into our strongest resource, consumers on the verge of engaging in a high-value transaction. By allowing advertisers to efficiently access these in-market consumers, we are helping advertisers lower their own costs of acquiring new customers, and ultimately creating a transaction that is beneficial for the advertiser, the consumer, and us.

*Remaining a leadership brand in consumer personal finance data and content:* We plan to extend our U.S. leadership position in online comparative research for consumer mortgage and deposit products into additional vertical markets we cover such as college savings, insurance and credit cards. The recent acquisitions are initial components towards achieving this goal.

*Continuing growth through partnering with top web sites:* Our partner network provides our Online Network with a steady stream of visitors, with little to no up-front payment risk to us. As substantially all of these agreements are revenue-sharing, we only pay our partners a percentage of the revenue earned. We will continue to expand the breadth and depth of our product distribution offerings and services to consumers by distribution of our newer products and content across our partner network.

### **How We Generate Revenue**

We generate revenue through advertising sales, lead generation, distribution arrangements, and traditional media avenues such as syndication of editorial content and subscriptions. We operate in one industry segment.

### **Advertising Sales**

Our sales team sells online and offline advertising to national, regional, and local advertisers. Our sales team focuses on several categories of the financial industry: lending (mortgage, home equity and auto loans), banking (CDs, MMAs and credit cards) and general personal finance (college loans, taxes, insurance and retirement), as well as other consumer oriented products, such as credit cards and insurance products. We have three sales regions with offices in each region: East (New York City), Midwest (Chicago), and West (San Francisco and Orange County). Each salesperson is responsible for a designated geographic region of the United States. They are paid based on their individual performance within their territory.

Our sales team is responsible for selling all of our products including graphic advertising on our Online Network, hyperlink listings on the Bankrate rate tables, and rate table listings in the *Mortgage* and *CD & Deposit Guides*. We believe this approach enhances the value for advertisers and direct marketers by (1) alleviating the need to purchase advertising from numerous vendors, (2) providing advertisers and direct marketers the opportunity to optimize their marketing dollars among four different products, and (3) offering integrated marketing packages that meet the strategic needs of our advertisers. Advertisers and direct marketers can enhance the effectiveness of their campaigns by customizing advertising delivery on our Online Network within a particular content channel, geographically, or across an entire network.

We sell advertising to local advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country. No advertiser represents more than 5% of our graphic advertising or hyperlink listing revenue. We believe Bankrate.com is attractive to both the larger advertisers such as Capital One, GMAC, HSBC and others attracted to a high quality, in market audience, as well as hundreds of smaller local advertisers who can compete with the larger advertiser on our detailed rate research tables through competitive rates or service.

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For the years ended December 31, 2008, 2007, and 2006, the percentage of total revenue generated by graphic advertising and lead generation was 64%, 49% and 47%, respectively. For the years ended December 31, 2008, 2007 and 2006, the percentage of total revenue generated by hyperlink advertising was 31%, 39% and 34%, respectively.

### **Graphic Advertising**

Our most common graphic advertisement sizes are leader boards (728 x 90 pixels) and banners (486 x 60 pixels), which are prominently displayed at the top or bottom of a page, skyscrapers (160 x 600 or 120 x 600 pixels), islands (250 x 250 pixels), and posters (330 x 275 pixels). These advertisements are sold according to the cost-per-thousand impressions ( CPM ) the advertiser receives, and in fixed-billed campaigns. With the planned launch of the new re-designed web site in the second quarter of 2009, we plan to accommodate additional advertisement configurations, including video. The new re-designed web site will also provide dynamic page reformatting to help optimize the monetization of the site. These advertisements can be targeted to specific areas of our Online Network or on a general rotation basis. In addition, we offer product specific topics that are available for single sponsorships. Rates for product special topics are based on expected impression levels and additional content requirements. Advertising rates may vary depending upon the product areas targeted (home equity has a higher CPM than auto), geo-targeting (a premium for targeting advertisements to a specific state), the quantity of advertisements purchased by an advertiser, and the length of time an advertiser runs an advertisement on our Online Network.

Providing effective tools for managing advertising campaigns is essential to maintaining advertising relationships. We use a state-of-the-art program under license from a third-party that allows our advertisers to monitor the impressions received and click-through ratios generated. We also allow third-parties to serve our customers' advertisements.

### **Hyperlinks**

Financial institutions that are listed in our rate tables have the opportunity to hyperlink their listings. By clicking on the hyperlink, users are taken to the institution's web site.

We typically sell our hyperlink listing on a CPC pricing model, where advertisers pay Bankrate a specific, pre-determined cost each time a consumer clicks on that advertiser's hyperlink or phone icon (usually found under the advertiser's name in the rate table listings). All clicks are screened for fraudulent characteristics by an independent third party vendor and then charged to the advertiser's account.

We also sell text links on our rate pages to advertisers on a CPC basis. Advertisers enter an auction bidding process on a third party web site for placement of their text link based on the amount they are willing to pay for each click through to their web site. We recognize revenue monthly for each text link based on the number of clicks at the CPC contracted rate during the auction bidding process.

### **Lead Generation**

We sell leads to advertisers, lenders, insurance companies, brokers, credit card issuers, financial institutions and other customers. The method we use to monetize this revenue opportunity varies depending on the products and customers, between cost per lead and cost per approved application. In general, we have found that the most effective means for monetizing this business is cost per approved application as a result of the quality consumers on Bankrate.com and the associated high conversion rates. We anticipate growing our lead generation business in insurance, credit cards, lending, college savings, retirement and other products with more comprehensive content and site functionality, additional consumer traffic as well as the acquisitions which provide Bankrate with the monetization platforms to process Bankrate.com traffic.

In early 2007, we re-launched our mortgage lead generation business as Bankrate *Select*. In doing so we focused on access to a well established lender network, which we believe better and more fully monetizes the leads we generate.

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### **Print Advertising**

We continue to produce traditional print products to drive revenue and absorb part of the cost of producing research and original editorial content. Additionally, we believe that our print publishing activities contribute to greater exposure, branding opportunities for and drives traffic to our Online Network. We sell advertising for our print publications as follows:

*Mortgage Guide:* We generate revenue through the sale of mortgage rate and product listings in approximately 500 newspapers across the United States with combined daily circulation in excess of 40 million copies. We enter into agreements with the newspapers for blocks of print space, which is in turn sold to mortgage lenders and we share the revenue with the newspapers on a percentage basis.

*CD & Deposit Guide:* We generate revenue through the sale of deposit rate and product listings in 34 newspapers across the United States with combined daily circulation of more than 13 million copies. We enter into agreements with the newspapers for blocks of print space. This print space is then sold to financial institutions and we share a percentage of the revenue with the newspapers on a percentage basis.

*Free Standing Inserts:* We occasionally create a free standing publication with our original editorial content that is inserted into a newspaper. We then sell sponsorship of the free standing publication to an advertiser.

For the fiscal years ended December 31, 2008, 2007, and 2006, the percentage of total revenue generated by *Mortgage Guide* and *CD & Deposit Guide* advertising was 5%, 11%, and 18%, respectively.

### **Distribution Arrangements**

Our distribution (or syndication) arrangements with other web site operators fall into two categories: (1) co-branding, in which we establish a co-branded site with another web site operator, and (2) licensing, in which we provide content to the other operator's web site together with a hyperlink to Bankrate.com. Historically, co-branding is more effective in driving traffic to our Online Network than licensing.

We create co-branded sites pursuant to agreements with other web site operators. Generally, under a co-branded agreement, we host the co-branded web pages, sell and serve the graphical and CPC advertising, and collect advertising revenues, which are shared with the third party web site.

Under licensing arrangements, we provide limited content to other web sites in exchange for a fee. The content identifies Bankrate.com as its source and typically includes a hyperlink to the Bankrate.com web site.

### **Traditional Media Activity**

As discussed above, we continue to produce limited traditional print products to drive revenue and absorb part of the cost of producing research and original editorial content. Our main traditional print activity is as follows:

*Syndication of Editorial Content and Research:* We syndicate editorial research to more than 150 newspapers, which have a combined Sunday circulation of more than 40 million copies, and three national magazines with combined monthly circulation in excess of 3 million copies.

*Newsletters:* We publish three newsletters: *100 Highest Yields* and *Jumbo Flash Report*, which target individual consumers, and *Bank Rate Monitor*, which targets an institutional audience. These newsletters provide bank deposit, loan and mortgage interest rate information with minimal editorial content. We recognize subscription revenue for the distribution of these newsletters.



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### **How We Drive Traffic to Our Online Network**

We believe that an important factor for us to drive traffic to our Online Network is our ability to provide fully researched, comprehensive, independent, objective financial content and data. Since we began publishing Bankrate Monitor in 1984 through today with our comprehensive Online Network, we have been recognized as a leading research authority in the financial industry. Thus, the creation of content is a key aspect of our business.

### **Financial Product Research**

Our research staff tracks comparative information on more than 300 financial products and services, including checking accounts, consumer loans, lines of credit, mortgages, certificates of deposit, savings accounts, credit cards, money market accounts, insurance products, college savings products and other online accounts. We estimate that over 3 million items of data are gathered each day for approximately 575 markets across the United States from over 4,800 financial institutions. The information obtained includes not only interest rates and yields, but also related data such as lock periods, fees, points, and loan sizes for mortgages, and grace periods, late penalties, cash advance fees, cash advance annual percentage rates, annual percentage yields, minimum payments, and terms and conditions of credit cards. Once we compile our research, we include the information in searchable rate tables where consumers can compare financial products, free of charge.

We adhere to a strict methodology in developing our market survey and our institutional survey group. The market survey includes the 100 largest U.S. geographic markets, as defined by the U.S. Census Bureau's Metropolitan Statistical Area categories and FDIC Market Report. The surveys also include certain secondary markets and other selected communities that represent areas of high growth.

In most instances, institutions in the survey group include the largest banks and thrifts within each geographic market based on total deposits. The number of institutions tracked within a given market is based on the types of financial products available and number of institutions in the market. In each of the largest 25 markets, we track at least 10 institutions. In each of the smaller markets, we track three or more institutions. We verify and adjust, if necessary, the institutions included in the survey group on an annual basis using deposit data reported to the FDIC. We do not include credit unions in the market survey group because product availability is based upon membership. However, we track the 50 largest U.S. credit unions as a separate survey group for comparison purposes.

All products included in our database have narrowly defined criteria so that information provided by institutions is comparable. The quality control process then includes several visual checks and proofing by different staff members to ensure that the data inputs are accurate. Our quality control staff reviews each listing in relation to regional and national trends and for overall accuracy and consistency of fees and related information prior to disclosure of the information to consumers. The staff also reviews the comparability of products, institutional accuracy and survey accuracy. In addition, the quality control team performs anonymous shopping on a daily basis, whereby we place calls to institutions in order to validate the data in a consumer setting. Institutions providing invalid data are contacted by our quality control staff to ensure that future information will be accurate.

The criteria for product listings consist of specific attributes such as loan size and term that are used to define each type of financial instrument in order to ensure uniformity in the products that are compared. Institutions may purchase hyperlink listings in our rate tables, but the advertising must comply with the same criteria we use for the listings created by our research department or we will remove the advertisements.

We are aware of the potential conflict of interest that could result from the sale of advertising to financial institutions while providing independent and objective research. However, we believe that our ability to provide independent and objective research has not been compromised by a potential conflict of interest, and we are committed to continue to prevent our research from being compromised in the future.



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### **Editorial Content**

In addition to our research department, as of December 31, 2008, we maintained a content team of 24 editors, writers, researchers, technical producers and designers who create original content, research studies and decision tools. We also have relationships with more than 30 freelance journalists. Our reporters and editors have extensive media experience in newspaper, magazine, new media and/or broadcast with a combined average of 22 years experience in journalism. We believe the quality of our original content plays a critical role in attracting visitors to our Online Network and to our co-branded partners' web sites.

Most of our content is original and produced internally. There is a very limited amount of third-party content, acquired under advertising revenue-sharing agreements or licenses, which allows us to incorporate relevant information on our web site that would otherwise require additional resources to produce. An example of this type of arrangement is the incorporation in Bankrate.com of currency conversion functionality from OANDA.com, a comprehensive provider of foreign exchange and currency trading information services.

### **Consumer Marketing**

Our primary marketing expenditures are for key word cost-per-click advertising campaigns on Internet search engines. We actively conduct earned media public relations campaigns to promote our editorial content and personnel to the consumer and trade media. In 2008, Bankrate was referenced in over 11,700 media exposures. Bankrate spokespersons are routinely featured in newspapers, magazines and in broadcast media, and are promoted to and are featured as expert commentators on major broadcast and cable news programs and talk radio. Our spokespersons were featured in 203 television interviews, including CBS' Evening News, Fox News Channel, Fox Business Network, MSNBC, CNBC, and CNN; over 1,000 print articles, including *The New York Times*, *The Wall Street Journal* and *USA Today*; and over 200 interviews on numerous talk radio broadcasts. Finally, we produce The Bankrate.com Personal Finance Minute which is distributed to Sirius XM satellite radio and selected terrestrial radio stations throughout the U.S.

Bankrate.com's home page and other key pages of our Online Network routinely rank at or near the top of major search engines' natural (unpaid) listings for highly coveted key words and phrases related to banking products, and we generate significant traffic and revenue organically from such placements. The high rankings are largely a result of our success at creating highly relevant, widely read content, distribution links, and because our personnel stay abreast of and use various search optimization techniques.

### **Competition**

We compete for advertising revenues across the broad category of personal finance information, both in traditional media such as newspapers, magazines, radio, and television, and in the rapidly growing market for online financial information. There are many competitors in our market segment. Our online and print competition includes the following:

Personal finance sections of general interest web sites such as Yahoo! Finance, AOL Money & Finance and MSN Money;

Personal finance destination sites such as The Motley Fool, MarketWatch, SmartMoney.com, Kiplinger.com, and CNNMoney.com;

E-commerce oriented sites that include banking and credit products such as LendingTree;

Lead aggregators such as LowerMyBills, Quinstreet, Adchemy and NexTag;

Rate listing web sites, such as Informa Research Services and Loans.com/CarsDirect; and in the credit card and insurance businesses we compete with firms such as CreditCards.com and Netquote.com, respectively; and

Keyword CPC advertising sites/networks such as Google, Yahoo! Search Marketing, and Ask.com.



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Competition in the online publishing business is generally directed at growing users and revenue using marketing and promotion to increase traffic to web sites. We believe that our original content, focus and objective product information differentiate us from our competitors.

### **Seasonality**

In terms of page views, we believe our Online Network's quarterly page view volumes will continue to be relatively consistent quarter to quarter with the exception of the fourth quarter when we typically experience lower traffic volume due to the holiday season. The first quarter of 2008 was atypically high in page view volume due to favorable mortgage interest rates and re-finance activity. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of our traffic and page views.

### **Proprietary Rights**

Our proprietary intellectual property consists of our unique research and editorial content, our web sites and our URLs. We rely primarily on a combination of copyrights, trademarks, trade secret laws, our user policy and restrictions on disclosure to protect this content. In addition, we license some of our data and content from other parties. Our copyrights, trademarks and licenses expire at various dates, and none is individually significant.

### **Employees**

As of February 27, 2009, we employed 285 people. We have never had a work stoppage and none of our employees is represented under collective bargaining agreements. We consider our employee relations to be favorable.

### **Available Information**

For further discussion concerning our business, see the information included in Items 7 (Management's Discussion and Analysis of Financial Condition and results of Operations) and 8 (Financial Statements and Supplementary Data) of this report.

We make available free of charge through our web site at [www.bankrate.com](http://www.bankrate.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, if applicable, filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The information posted on our web site is not incorporated into this Annual Report on Form 10-K.

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### **Item 1A. Risk Factors**

*You should consider carefully the following risk factors before deciding whether to invest in our common stock. Our business, including our operating results and financial condition, could be harmed by any of these risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks you should also refer to the other information contained in our filings with the SEC, including our financial statements and related notes.*

### **Risks Related to Our Business**

#### ***Our Success Depends on Internet Advertising Revenue***

We have historically, and we expect to continue, to derive the majority of our revenue through the sale of advertising space, financial product leads and hyperlinks on our Online Network. Any factors that limit the amount advertisers are willing to spend on advertising on our web sites could have an adverse effect on our business. These factors may include our ability to:

maintain a significant number of unique web site visitors and corresponding significant reach of Internet visitors;

compete with alternative advertising sources;

maintain a significant number of sellable impressions generated from web site visitors available to advertisers;

accurately measure the number and demographic characteristics of our visitors;

successfully sell and market our Online Network to our advertisers including mortgage loan, credit card and insurance product leads;

handle temporary high volume traffic spikes to our Online Network;

convince traditional media advertisers to advertise on our Online Network; and

increase traffic to our Online Network.

Most of our advertising contracts are short-term and are subject to termination by the advertiser at any time. Advertisers who have longer-term contracts may fail to honor their existing contracts or fail to renew their contracts. If a significant number of advertisers or a few large advertisers decide not to continue advertising on our web sites, we could experience an immediate and substantial decline in our revenues over a relatively short period of time.

#### ***Deterioration in General Economic Conditions Has Caused and Could Cause Additional Decreases or Delays in Marketing Services Spending By Our Advertisers and Could Harm Our Ability to Sell Advertising, Which Would Adversely Affect Our Results of Operations.***

Advertising expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenues from selling advertising, the current deterioration in economic conditions has caused and could cause additional decreases in or delays in advertising spending and is likely to reduce our revenue and negatively impact our short term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to the current deterioration in economic conditions could negatively impact our results of operations.

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*Difficult Market Conditions and Economic Trends Have Adversely Affected the Financial Services Industry and Our Business*

Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in

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significant write-downs of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Financial institutions have experienced decreased access to deposits and borrowings.

The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets has caused a substantial decrease in the demand for advertising financial products and services. We expect this decrease in demand to adversely affect our business, financial condition, results of operations and stock price.

We do not believe these difficult conditions are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult economic conditions on us and our advertisers.

### ***Recent Legislative and Regulatory Initiatives to Address Difficult Market and Economic Conditions May Not Stabilize the U.S. Banking System***

The recently enacted Emergency Economic Stabilization Act of 2008 (the EESA ) authorizes the United States Treasury to purchase from financial institutions and their holding companies up to \$700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies, under a troubled asset relief program, or TARP. The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other.

The EESA followed, and has been followed by, numerous actions by the Board of Governors of the Federal Reserve System, the U.S. Congress, Treasury, the FDIC, the SEC and others to address the current liquidity and credit crisis that has followed the sub-prime meltdown that commenced in 2007. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector.

In 2009, with the change in presidential administrations, additional changes have been announced, such as the creation of a Public-Private Investment Fund to purchase toxic assets, which are primarily mortgage-backed securities and nonperforming mortgage loans, from financial institutions. Further, a new capital injection plan has been unveiled accompanied with significantly more restrictions on the payment of executive compensation and dividends, and a prohibition on acquisitions. As of mid-February, many of the details have yet to be finalized on these new programs.

The purpose of all of these legislative and regulatory actions is to stabilize the U.S. banking system. The EESA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely affected.

### ***Current Levels of Market Volatility are Unprecedented***

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those

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issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition, and results of operations.

***Our Visitor Traffic is Impacted By Interest Rate Volatility***

We provide interest rate information for mortgages and other loans, credit cards and a variety of deposit accounts. Visitor traffic to our web sites tends to increase with interest rate movements. Factors that have caused significant visitor fluctuations in the past have been Federal Reserve Board actions and general market conditions affecting home mortgage and deposit interest rates. Additionally, the level of traffic to our web sites can be dependent on interest rate levels as well as mortgage financing and refinancing activity. Accordingly, a slowdown in mortgage production volumes could have an adverse effect on our business. Conversely, a sudden, steep drop in interest rates could dramatically increase our page views such that we would be unable to sell sufficient advertisements to take full advantage of the spike in traffic.

We believe that as we continue to develop our web sites with broader personal finance topics, the percentage of overall traffic seeking mortgage and deposit information will remain stabilized at current levels. To accelerate the growth of traffic to our web sites, we are working with our syndication partners to provide timely content, and we are aggressively promoting all of our products.

***Our Business Depends on a Strong Brand and Content, Thus We Will Not be Able to Attract Visitors and Advertisers if We Do Not Maintain and Develop Our Brands and Content***

It is critical for us to maintain and develop our brands and Content so as to effectively expand our visitor base and our revenues. Our success in promoting and enhancing our brands, as well as our ability to remain relevant and competitive, depends on our success in offering high quality content, features and functionality. If we fail to promote our brands successfully or if visitors to our web sites or advertisers do not perceive our content and services to be of high quality, we may not be able to continue growing our business and attracting visitors and advertisers.

***Risks Associated with Our Strategic Acquisitions Could Adversely Affect Our Business***

We have acquired a number of companies in the past, and we expect to make additional acquisitions and strategic investments in the future. For example, in late 2005, we acquired FastFind and MMIS/Interest.com; in 2006 we acquired Mortgagecalc.com; in 2007 we acquired NCS and SFC; and in 2008 we acquired InsureMe, Fee Disclosure, CCG and Bankaholic. We will continue to consider acquisitions and joint ventures as a means of enhancing shareholder value. Our success in integrating our acquired businesses will depend upon our ability to retain key personnel, avoid diversion of management's attention from operational matters, integrate the technical operations and personnel of the acquired companies, and achieve the expected financial results, synergies and other benefits from our acquisitions.

In addition, future acquisitions could result in the incurrence of additional debt, costs and contingent liabilities or the dilution of our stockholders ownership through issuance of additional stock. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated.

It is also possible that expected synergies from future acquisitions may not materialize. We may also incur costs and divert management attention through potential acquisitions that are never consummated. Future impairment losses on goodwill and intangible assets with an indefinite life, or restructuring charges, could also occur as a result of acquisitions.

Despite our due diligence investigation of each business that we acquire, there may be liabilities of the acquired companies that we fail to or are unable to discover during the due diligence investigation and for which we, as a successor owner, may be responsible. In connection with acquisitions, we generally seek to minimize the impact of these types of potential liabilities through indemnities and warranties from the seller, which may in

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some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities due to limitations in scope, amount or duration, financial limitations of the indemnitor or warrantor or other reasons.

Our ability to consummate any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources and our ability to obtain financing.

### ***We Have Expanded Operations in China and May Possibly Expand to Other International Markets in Which We May Have Limited Experience***

We expanded Bankrate branded online properties in China and plan to possibly expand to other international markets. We have developed a Bankrate web site written in Mandarin for the Chinese market. As we expand into international markets, we will have only limited experience in marketing and operating our products and services in those markets. Certain international markets may be slower than domestic markets in adopting the Internet as an advertising and commerce medium and so our operations in international markets may not develop at a rate that supports our level of investment. In addition, international consumers may not adopt the Internet for personal finance information at all or as quickly, as U.S. consumers.

### ***Our Chinese Operations, as Well as Any Other International Operations We Commence, Are Subject to Increased Risks Which Could Harm Our Business, Operating Results and Financial Condition***

We face certain risks inherent in doing business internationally, including:

trade barriers and changes in trade regulations;

difficulties in developing, staffing and simultaneously managing foreign operations as a result of distance, language, and cultural differences;

stringent local labor laws and regulations;

longer payment cycles;

credit risk and higher levels of payment fraud;

currency exchange rate fluctuations;

political or social unrest or economic instability;

seasonal volatility in business activity;

risks related to government regulation or required compliance with local laws in certain jurisdictions; and



potentially adverse tax consequences.

One or more of these factors could harm our future international operations and consequently, could harm our brand, business, operating results, and financial condition.

***If We Fail to Detect Click-Through Fraud or Unscrupulous Advertisers, We Could Lose the Confidence of Our Advertisers, Thereby Causing Our Business to Suffer***

We are exposed to the risk of fraudulent clicks on our ads by persons seeking to increase the advertising fees paid to us. Click-through fraud occurs when a person clicks on an ad displayed on our web site in order to generate revenue to us and to increase the cost for the advertiser. If we were unable to detect this fraudulent activity and find new evidence of past fraudulent clicks, we may have to issue refunds retroactively of amounts previously paid to us. In addition, if fraudulent clicks are not detected, the affected advertisers may experience a reduced return on their investment in our advertising programs because the fraudulent clicks would not lead to potential revenue for the advertisers.

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We are also exposed to the risk that advertisers who advertise on our web site will advertise interest rates or other terms on a variety of financial products that they do not intend to honor. Such bait and switch activity encourages consumers to contact fraudulent advertisers over legitimate advertisers because the fraudulent advertisers claim to offer better interest rates or other terms.

Both bait and switch and click-through fraud would negatively affect our profitability, and could hurt our reputation and our brand. This could lead the advertisers to become dissatisfied with our advertising programs, which could lead to loss of advertisers and revenue.

### ***More Individuals Are Using Non-PC Devices to Access the Internet, and Our Online Network May Not be Accepted by Such Users***

The number of individuals who access the Internet through devices other than a personal computer, such as personal digital assistants and mobile telephones, has increased dramatically. Our Online Network was designed for rich, graphic environments such as those available on desktop and laptop computers. The lower resolution, functionality and memory associated with alternative devices currently available may make access of our Online Network through such devices difficult. If consumers find our Online Network difficult to access through alternative devices, we may fail to capture a sufficient share of an increasingly important portion of the market for online services and may fail to attract both advertisers and web traffic.

### ***Adverse Resolution of Litigation May Harm Our Operating Results or Financial Condition***

We are party to lawsuits in the normal course of business. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, operating results, or financial condition. For additional information regarding certain of the lawsuits in which we are involved, see Item 3, Legal Proceedings.

### ***Our Success Depends on Establishing and Maintaining Distribution Arrangements***

Our business strategy includes the distribution of our content through the establishment of co-branded web pages with high traffic business and personal finance sections of online services and web sites. Providing access to these co-branded web pages is a significant part of the value we offer to our advertisers. We compete with other Internet content providers to maintain our current relationships with other web site operators and establish new relationships. In addition, as we expand our personal finance content, some of these web site operators may perceive us as a competitor. As a result, they may be unwilling to promote distribution of our banking and credit content. If our distribution arrangements do not attract a sufficient number of visitors to support our current advertising model, or if we do not establish and maintain distribution arrangements on favorable economic terms, our business could be adversely affected.

### ***We May Be Required to Record a Significant Charge to Earnings If Our Goodwill or Amortizable Intangible Assets Become Impaired***

We are required under generally accepted accounting principles to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include, among others, unanticipated competition, loss of key personnel, or a significant adverse change in the business environment, including a loss in the market value of our common stock. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations. See Note 2 in Notes to Consolidated Financial Statements in Item 8 below for a discussion of the impairment charges we recorded in the fourth quarter of 2008.

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**Risks Related to Our Industry, the Internet and Our Technology Infrastructure**

***Our Markets Are Highly Competitive***

We compete for Internet advertising revenues with the personal finance sections of general interest sites such as Yahoo! Finance, AOL Money & Finance, and MSN Money; personal finance destination sites such as The Motley Fool, MarketWatch, SmartMoney.com, Kiplinger.com, Bankingmyway.com and CNNMoney.com; e-commerce oriented sites that include banking and credit products such as LendingTree; lead aggregators such as LowerMyBills, Quinstreet, Adchemy and NexTag; print mortgage table sellers such as National Financial News Service; rate listing sites such as Realtor.com/Move.com, Informa Research Services and Loan.com/CarsDirect; and in the credit card and insurance businesses we compete with firms such as CreditCards.com and Netquote.com, respectively; and key word cost-per-click advertising sites/networks such as Google, Yahoo! Search Marketing and Ask.com. In addition, new competitors may enter this market as there are few barriers to entry. Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than us. Many competitors have complementary products or services that drive traffic to their web sites. Increased competition could result in lower web site traffic, advertising rate reductions, reduced margins or loss of market share, any of which would adversely affect our business.

***Our Web Sites May Encounter Technical Problems and Service Interruptions***

In the past, our web sites have experienced significant increases in traffic in response to interest rate movements and other business or financial news events. The number of our visitors has continued to increase over time, and we are seeking to further increase our visitor traffic. As a result, our Internet servers must accommodate spikes in demand for our web pages in addition to potential significant growth in traffic.

Our web sites have in the past, and may in the future, experience slower response times or interruptions as a result of increased traffic or other reasons. These delays and interruptions resulting from failure to maintain Internet service connections to our site could frustrate visitors and reduce our future web site traffic, which could have a material adverse effect on our business.

All of our communications and network equipment is located at our corporate headquarters in North Palm Beach, Florida and/or at secure third-party co-locations facilities in Atlanta, Georgia and Denver, Colorado. Multiple system failures involving these locations could lead to interruptions or delays in service for our web sites, which could have a material adverse effect on our business. Our operations are dependent upon our ability to protect our systems against damage from fires, hurricanes, earthquakes, power losses, telecommunications failures, break-ins, computer viruses, hacker attacks and other events beyond our control.

***We Rely on the Protection of Our Intellectual Property***

Our intellectual property includes our unique research and editorial content of our web sites, our URLs, and print publications. We rely on a combination of copyrights, patents, trademarks, trade secret laws, and our policy and restrictions on disclosure to protect our intellectual property. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information. Despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our web sites or print publications without authorization. A failure to protect our intellectual property in a meaningful manner could have a material adverse effect on our business.

Because we license some of our data and content from other parties, we may be exposed to infringement actions if such parties do not possess the necessary proprietary rights. Generally, we obtain representations as to the origin and ownership of licensed content and obtain indemnification to cover any breach of any these representations. However, these representations may not be accurate and the indemnification may not be sufficient to provide adequate compensation for any breach of these representations.

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Any future infringement or other claims or prosecutions related to our intellectual property could have a material adverse effect on our business. Defending against any of these claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to introduce new content or trademarks, develop new technology or enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on acceptable terms, if at all.

### ***We May Face Liability for Information on Our Web Sites***

Much of the information published on our web sites relates to the competitiveness of financial institutions' rates, products and services. We may be subjected to claims for defamation, negligence, copyright or trademark infringement or other theories relating to the information we publish on our web sites. These types of claims have been brought, sometimes successfully, against providers of online services as well as print publications. Our insurance may not adequately protect us against these types of claims.

### ***We May Face Liability for, and May Be Subject to Claims Related to, Inaccurate Advertising Content Provided to Us***

Much of the information on our web sites that is provided by advertisers and collected from third parties relates to the rates, costs and features for various loan, depository, personal credit and investment products offered by financial institutions, mortgage companies, investment companies, insurance companies and others participating in the consumer financial marketplace. We are exposed to the risk that some advertisers may provide us, or directly post on our web sites, (i) inaccurate information about their product rates, costs and features, or (ii) rates, costs and features that are not available to all consumers. This could cause consumers to lose confidence in the information provided by advertisers on our web sites, causing certain advertisers to become dissatisfied with our web sites, and result in lawsuits being filed against us. Our insurance may not adequately protect us against these types of lawsuits.

### ***Future Government Regulation of the Internet is Uncertain and Subject to Change***

As Internet commerce continues to evolve, increasing regulation by federal or state agencies or foreign governments may occur. Such regulation is likely in the areas of privacy, pricing, content and quality of products and services. Additionally, taxation of Internet use or electronic commerce transactions may be imposed. Any regulation imposing fees for Internet use or electronic commerce transactions could result in a decline in the use of the Internet, which could have a material adverse effect on our business.

### ***We May Be Limited or Restricted in the Way We Establish and Maintain Our Online Relationships by Laws Generally Applicable to Our Business, or We May Be Required to Obtain Certain Licenses***

State and federal lending laws and regulations generally require the accurate disclosure of the critical components of credit costs so that consumers can readily compare credit terms from various lenders. In addition, these laws and regulations impose certain restrictions on the advertisement of these credit terms. Because we are an aggregator of rate and other information regarding many financial products online, we may be subject to some of these laws and regulations. We believe that we have structured our web sites to comply with these laws and regulations. However, if these laws and regulations are changed, or if new laws or regulations are enacted, these events could prohibit or substantially alter the content we provide on our web sites. Moreover, such events could materially and adversely affect our business, results of operations and financial condition.

We are also required to obtain licenses from various states to conduct parts of our business. In the case of Bankrate *Select*, many states require licenses to solicit, broker or make loans secured by residential mortgages and other consumer loans to residents of those states. Licenses or rights currently held by us may be revoked prior to their expiration, or we may be unable to renew such licenses. In addition, we may not be granted new licenses or rights for which we may be required to apply for from time to time in the future. Furthermore, because the licensing laws of each state change frequently and are difficult to determine their applicability, we may unknowingly operate Bankrate *Select* without a required license.

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***The Telecommunications Infrastructure in China, Which is Not as Well Developed as in the United States, May Limit Our Growth in China***

The telecommunications infrastructure in China is not well developed. Our growth in China will depend on the Chinese government and state-owned enterprises establishing and maintaining a reliable Internet and telecommunications infrastructure to reach a broader base of Internet users in China. The Internet infrastructure, standards, protocols and complementary products, services and facilities necessary to support the demands associated with continued growth may not be developed on a timely basis or at all by the Chinese government and state-owned enterprises.

***The High Cost of Internet Access May Limit the Growth of the Internet in China and Impede Our Growth***

Access to the Internet in China remains relatively expensive, and may make it less likely for users to access and transact business over the Internet. Unfavorable rate developments could further impede our strategy to grow visitor traffic to our sites in China.

**Risks Related to Corporate Control and Our Stock Price**

***Our Ownership is Heavily Concentrated***

At December 31, 2008, approximately 24% of our outstanding common stock was beneficially owned by our officers and directors, including Peter C. Morse, a director and our largest shareholder, who beneficially owned approximately 21% of our outstanding common stock. As a result, our officers and directors, if acting together, may be able to exercise significant influence over matters requiring shareholder approval, including the election of our directors and significant corporate transactions. This influence could be used to prevent or significantly delay another company or person from acquiring or merging with us, and could inhibit our liquidity and affect trading in our common stock.

***Our Articles of Incorporation, Bylaws, and Certain Laws and Regulations May Prevent or Delay Transactions You Might Favor, Including a Sale or Merger of Us***

Provisions of our Articles of Incorporation, Bylaws, certain laws and regulations and various other factors may make it more difficult and expensive for companies or persons to acquire control of us without the consent of our Board of Directors. It is possible, however, that you would want a takeover attempt to succeed because, for example, a potential buyer could offer a premium over the then prevailing price of our common stock.

For example, our Articles of Incorporation permit our Board of Directors to issue preferred stock without stockholder action. The ability to issue preferred stock could discourage a company from attempting to obtain control of us by means of a tender offer, merger, proxy contest or otherwise. Additionally, our Articles of Incorporation and Bylaws divide our Board of Directors into three classes, as nearly equal in size as possible, with staggered three-year terms. One class is elected each year. The classification of our Board of Directors could make it more difficult for a company to acquire control of us. We are also subject to certain provisions of the Florida Business Corporation Act and our Articles of Incorporation that relate to business combinations with interested stockholders. Other provisions in our Articles of Incorporation or Bylaws that may discourage takeover attempts or make them more difficult include:

Supermajority voting requirements to remove a director from office;

Provisions regarding the timing and content of stockholder proposals and nominations;

Supermajority voting requirements to amend Articles of Incorporation; and

Absence of cumulative voting.

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### ***Our Results of Operations May Fluctuate Significantly***

Our results of operations are difficult to predict and may fluctuate significantly in the future as a result of several factors, many of which are beyond our control. These factors include:

changes in fees paid by advertisers;

traffic levels on our web sites, which can fluctuate significantly;

changes in the demand for Internet products and services;

changes in fee or revenue-sharing arrangements with our distribution partners;

our ability to enter into or renew key distribution agreements;

the introduction of new Internet advertising services by us or our competitors;

changes in our capital or operating expenses;

changes in interest rates;

general economic conditions; and

changes in banking or other laws that could limit or eliminate content on our web sites.

Our future revenue and results of operations are difficult to forecast due to these factors. As a result, we believe that period-to-period comparisons of our results of operations may not be meaningful, and you should not rely on past periods as indicators of future performance.

In future periods, our results of operations may fall below the expectations of securities analysts and investors, which could adversely affect the trading price of our common stock.

### ***Our Stock Price May Continue to be Volatile***

Our common stock has experienced substantial price volatility, particularly as a result of variations between our actual financial results and the published expectations of analysts. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business, or significant transactions can cause changes in our stock price. These factors, as well as general economic and political conditions, may materially adversely affect the market price of our common stock in the future.

### **Item 1B. Unresolved Staff Comments**

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We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our 2008 fiscal year and that remain unresolved.

### **Item 2. Properties**

Our principal administrative, sales, web operations, marketing and research functions are located in one leased facility in North Palm Beach, Florida. The lease is for approximately 20,900 square feet of office space and expires on April 30, 2016. We entered into this lease on November 3, 2005. The initial lease term is for 10 years with an option to renew for one additional 5-year term. In addition to our main office facility, we lease approximately 23,000 square feet of office space at various properties in the United States and 3,200 square feet in China. We use the properties for administration, sales, operations, and business development. The leases expire at various times.

We currently operate our Online Network and supporting systems on servers at secure third-party co-locations, including facilities in Atlanta, Georgia and Denver, Colorado. The third-party facilities and

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our infrastructure and network connectivity are monitored continuously, on a 24 hours a day, 365 days a year basis. Many of our critical properties and operations operate concurrently from multiple data centers. Multiple data centers are key to our business continuity strategy, providing recovery options if either data center should suffer a major outage. These facilities are powered continuously from multiple sources, including uninterruptible power supplies and emergency power generators. The facilities are connected to the Internet with redundant high-speed data lines. The systems at each data center are protected by a multi-layered security system including multiple firewalls at each data center. To provide maximum scalability, many of our high-traffic web pages are served from an independent content distribution network. Multi-node clusters or multiple load shared systems are used for key functions, including web serving and SQL databases. The vast majority of the information presented on our web sites, including back-end databases that provide the raw information, is stored and delivered via such multi-node or multi-system configurations from one or both of the co-location facilities.

All of our systems are controlled and updated remotely via encrypted virtual private network ( VPN ) links to our operating locations. The technical services team, based in North Palm Beach, Florida, extensively monitors all key systems, both internally and from a web perspective, using multiple locations and methodologies. This provides continuous real-time response capability should key systems or network connections fail. Some of the content on our web sites is prepared on systems located in secure server rooms, then transferred at scheduled intervals via the VPN to the systems at the co-location facilities. The North Palm Beach facility systems are also powered by uninterruptible power supply units, have multiple Internet connections, and backup generators. In the event that North Palm Beach or any other location is temporarily unavailable, temporary access is established from alternative locations to provide continuity for key operations and content updates.

We believe that all of our facilities are adequate and suitable for operations in the foreseeable future. However, we may undertake the expansion of certain facilities from time to time in the ordinary course of business.

See Note 6 in Notes to Consolidated Financial Statements in Item 8 below for more information about our leased facilities.

### **Item 3. Legal Proceedings**

On or about November 20, 2008, Lower Fees, Inc. filed in the Circuit Court in and for Palm Beach County, Florida a civil action against us and our Chief Executive Officer and our Chief Financial Officer. The complaint is designated as an Amended Complaint, even though a complaint had not been served on us previously. The one-count Amended Complaint alleges fraud in the inducement by the defendants in respect of us having entered into an asset purchase agreement with Lower Fees, Inc., dated February 5, 2008. Pursuant to that agreement, we purchased certain assets and assumed certain liabilities of Lower Fees, Inc., and made a cash payment in the amount specified in the agreement. The Amended Complaint is for unspecified monetary relief.

On December 15, 2008, we filed a motion to dismiss the Amended Complaint because we believe the allegations of the complaint are baseless and fail to state a cause of action. The court has set a hearing on the motion to dismiss for March 23, 2009. We believe that the allegations in the Amended Complaint are without merit and intend to vigorously defend against them.

Because the outcome of this suit is uncertain at this time, we cannot estimate the amount of loss, if any, that could result from an adverse resolution of this matter.

On July 20, 2007, BanxCorp, a privately held company located in White Plains, New York, filed a complaint against us in the United States District Court for the District of New Jersey. The complaint alleged that we engaged in a plan of misconduct that has unreasonably restrained trade and substantially lessened competition



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in the marketplace, thereby monopolizing trade and commerce. BanxCorp alleged that we engaged in predatory pricing, vendor lock-in, exclusionary product and distribution bundling and tie-in arrangements, anticompetitive acquisitions and market division agreements.

The action brought by the complaint is for unspecified equitable and monetary relief under the Sherman and Clayton Acts, including treble damages, and under state statutes, including the New Jersey Antitrust Act.

On October 19, 2007, we filed a motion to dismiss the complaint for failure to state a claim upon which relief could be granted. On July 7, 2008, the Court issued an opinion, in which it found that the complaint failed to state claims under the Sherman Act, but denied the motion to dismiss and directed the plaintiff to file an amended complaint providing greater detail regarding the Sherman Act claims and certain other claims. On August 21, 2008, the plaintiff filed its first amended complaint. In the First Amended Complaint, the plaintiff added new causes of action under the Sherman Act. We moved to dismiss the First Amended Complaint. While that motion was pending, on October 31, 2008 the plaintiff filed its Second Amended Complaint, in which it alleges violations of the Sherman Act, the Clayton Act, and New Jersey State antitrust laws. We believe that the allegations in the Second Amended Complaint are without merit, intend to vigorously defend against them, and in December 2008 moved to dismiss the Second Amended Complaint. That motion is currently pending.

Because the outcome of the suit is uncertain at this time, we cannot estimate the amount of loss, if any, that could result from an adverse resolution of this matter.

From time to time, in addition to those identified above, we are subject to legal proceedings, claims, investigations and proceedings in the ordinary course of business. In accordance with U.S. generally accepted accounting principles, we make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending against us. It is possible, nevertheless, that our consolidated financial position, cash flows or results of operations could be affected by the resolution of one or more of such contingencies. We expense legal costs as incurred.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Table of Contents****PART II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**  
**Price Range of Common Stock**

Our common stock is traded on the NASDAQ Global Select Market under the stock symbol `RATE`.

The prices per share reflected in the table below represent, for the periods indicated, the range of highest and lowest closing prices for our common stock on the NASDAQ Global Select Market.

	<b>HIGH</b>	<b>LOW</b>
Year ended December 31, 2007		
First quarter	\$ 44.77	\$ 32.94
Second quarter	50.69	33.91
Third quarter	51.96	36.21
Fourth quarter	53.05	35.92
Year ended December 31, 2008		
First quarter	\$ 56.85	\$ 39.12
Second quarter	52.05	39.04
Third quarter	36.46	25.13
Fourth quarter	38.01	23.05

The number of stockholders of record of our common stock as of February 27, 2009, was approximately 8,865.

**Dividend Policy**

We have never paid cash dividends on our capital stock. We currently intend to retain any earnings for use in our business and do not anticipate paying any cash dividends in the foreseeable future.

**Stock Repurchase Plan**

In April 2008, our board of directors approved a stock repurchase plan (the `Repurchase Plan`). According to the terms of the `Repurchase Plan`, we may repurchase up to \$50 million of our outstanding common stock. Stock repurchases under the `Repurchase Plan` may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate and will be funded using our working capital. The timing and amount of specific repurchases are subject to the requirements of the Securities and Exchange Commission, market conditions, alternative uses of capital and other factors. The `Repurchase Plan` does not obligate us to acquire any particular amount of shares and the `Repurchase Plan` may be limited or terminated at any time without prior notice. Shares of stock repurchased under the `Repurchase Plan` will be cancelled. As of December 31, 2008, 165,000 shares were purchased for an average price of \$26.57 per share under the `Repurchase Plan` and were subsequently retired.

**Table of Contents****Stock Performance Graph**

The following graph provides a comparison of the cumulative total stockholder return on our common stock for the period from December 31, 2003 through December 31, 2008, against the cumulative stockholder return during such period achieved by the NASDAQ Global Select Market Index for U.S. Companies ( Nasdaq US ) and the Hemscoff Internet Information Providers Index ( Hemscoff Group Index ). The graph assumes that \$100 was invested on December 31, 2003 in our common stock and in each of the comparison indices, and assumes reinvestment of dividends. Our stock price performance shown in the graph below is not indicative of future stock price performance.

The following graph and related information shall not be deemed soliciting material or be deemed to be filed with the SEC, nor shall such information be incorporated by reference into any future filing, except to the extent that we specifically incorporate it by reference into such filing.

	<b>Bankrate, Inc.</b>	<b>NASDAQ Market Index</b>	<b>Hemscoff Group Index</b>
December 31,			
2003	\$ 100	\$ 100	\$ 100
2004	112	108	146
2005	238	111	222
2006	307	122	217
2007	388	134	296
2008	307	79	135

**Table of Contents****Item 6. Selected Financial Data**

The selected financial data set forth below should be read in conjunction with the financial statements and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The statements of income data for the years ended December 31, 2008 and 2007, and the balance sheet data as of December 31, 2008 and 2007, are derived from, and are qualified by reference to, the financial statements of Bankrate, Inc. included elsewhere in this Form 10-K, which financial statements have been audited by Grant Thornton LLP, independent registered public accounting firm. The audit report is included elsewhere in this Form 10-K. The statement of income data for the year ended December 31, 2006 is derived from, and is qualified by reference to, the financial statements of Bankrate, Inc. included elsewhere in this Form 10-K, which financial statements have been audited by KPMG LLP, independent registered public accounting firm. The audit report is included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2005 and 2004, and the balance sheet data as of December 31, 2006, 2005 and 2004 have been derived from audited financial statements not included in this Form 10-K. Historical results are not necessarily indicative of results to be expected in the future.

<i>(In thousands except share and per share data)</i>	<b>Year Ended December 31,</b>				
	<b>2008 (A)</b>	<b>2007 (B)</b>	<b>2006 (C)</b>	<b>2005 (D)</b>	<b>2004</b>
<b>Statement of Income Data:</b>					
<b>Revenue:</b>					
Online publishing	\$ 158,053	\$ 83,695	\$ 63,971	\$ 43,296	\$ 33,942
Print publishing and licensing	8,802	11,897	15,679	5,753	5,262
<b>Total revenue</b>	<b>166,855</b>	<b>95,592</b>	<b>79,650</b>	<b>49,049</b>	<b>39,204</b>
<b>Cost of revenue:</b>					
Online publishing	57,905	15,149	11,101	7,389	5,535
Print publishing and licensing	8,190	10,698	13,846	5,346	4,359
<b>Total cost of revenue</b>	<b>66,095</b>	<b>25,847</b>	<b>24,947</b>	<b>12,735</b>	<b>9,894</b>
<b>Gross margin</b>	<b>100,760</b>	<b>69,745</b>	<b>54,703</b>	<b>36,314</b>	<b>29,310</b>
<b>Operating expenses:</b>					
Sales	9,097	6,384	5,055	3,684	4,187
Marketing	13,197	8,475	4,836	5,923	6,357
Product development	7,135	4,656	3,621	2,457	2,406
General and administrative	26,662	19,853	21,835	9,035	6,667
Impairment charges	2,433				
Legal settlements			3,000		510
Severance charge					260
Depreciation and amortization	9,134	2,731	2,402	895	743
	67,658	42,099	40,749	21,994	21,130
<b>Income from operations</b>	<b>33,102</b>	<b>27,646</b>	<b>13,954</b>	<b>14,320</b>	<b>8,180</b>
Other income, net	1,562	6,688	2,961	933	410
Gain on insurance proceeds				221	
<b>Income before income taxes</b>	<b>34,664</b>	<b>34,334</b>	<b>16,915</b>	<b>15,474</b>	<b>8,590</b>
Income tax (expense) benefit	(15,043)	(14,280)	(6,911)	(5,800)	4,766
<b>Net income</b>	<b>\$ 19,621</b>	<b>\$ 20,054</b>	<b>\$ 10,004</b>	<b>\$ 9,674</b>	<b>\$ 13,356</b>
<b>Basic and diluted net income per share:</b>					
Basic	\$ 1.04	\$ 1.09	\$ 0.58	\$ 0.61	\$ 0.87

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Diluted	\$	1.01	\$	1.04	\$	0.56	\$	0.57	\$	0.84
Weighted average common shares outstanding:										
Basic		18,848,125		18,423,414		17,332,632		15,809,259		15,438,097
Diluted		19,498,209		19,356,039		17,845,754		16,922,218		15,975,382

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<i>(In thousands)</i>	As of December 31,				
	2008 (A)	2007 (B)	2006 (C)	2005 (D)	2004
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 46,055	\$ 125,058	\$ 13,125	\$ 3,480	\$ 27,735
Short-term investments			96,800		
Working capital	48,874	139,437	122,157	9,809	33,628
Intangible assets, net	83,347	27,485	14,441	11,652	
Goodwill	101,856	43,720	30,039	30,035	
Total assets	270,750	228,354	176,684	62,553	46,007
Total stockholders' equity	248,430	217,266	170,155	52,853	42,334

- (A) Includes the acquired operations of Bankaholic.com, CreditCardGuide.com, InsureMe, Inc. and Lower Fees, Inc. from the respective dates of acquisition.
- (B) Includes the acquired operations of Nationwide Card Services, Inc., and Savingforcollege.com, LLC from the respective dates of acquisition.
- (C) Includes the acquired operations of East West Mortgage, Inc. (Mortgage-calc.com, Mortgagecalc.com, and Mortgagemath.com) from the respective date of acquisition.
- (D) Includes the acquired operations of Wescoco LLC, and Mortgage Market Information Services, Inc. and Interest.com from the date of acquisition.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Certain statements contained in this Management's Discussion and Analysis of Financial Conditions and Results of Operations ( MD&A ) constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and similar expressions are intended to identify forward-looking statements.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Please see the Introductory Note and Item 1A Risk Factors of this Annual Report for a more detailed discussion of factors that could cause our actual results to differ materially from those in the forward-looking statements. However, factors other than those discussed in the Introductory Note, in Items 1A Risk Factors or elsewhere in this Annual Report also could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us or on our behalf speak only as of the date they are made. We do not undertake to update any forward-looking statement, except as required by applicable law.

The MD&A is divided into sections entitled Executive Summary, Accounting Policies, Results of Operations, Quarterly Results of Operations, Liquidity and Capital Resources, and Off Balance Sheet Arrangements. Information therein should help provide a better understanding of the major factors and trends that affect our earnings performance and financial condition, and how our performance during 2008 compares to prior years.

## **EXECUTIVE SUMMARY**

### **Overview**

Bankrate, Inc. and its subsidiaries (the Company, Bankrate, we, us, our ) operate a traditional media business on the Internet. Bankrate.com, our flagship web site, is one of the leading web sites for financial information and advice according to comScore Media Metrix. Bankrate.com had nearly 53 million unique visitors for the year ended December 31, 2006, nearly 60 million unique visitors for the year ended December 31, 2007, and nearly 72 million unique visitors for the year ended December 31, 2008 according to Omniture, a web analytics tool.

Since 2007, we have strategically broadened and diversified our product offerings through acquisitions. We now:

Market a comprehensive line of consumer and business credit cards;

Offer online visitors competitive insurance rates for auto, home life, health and long-term care;

Maintain an open marketplace to break down complicated vendor fees associated the mortgage loan process, empowering consumers with comprehensive information to make informed decisions and reduce their real estate and mortgage transaction costs;

Offer editorial listings and other products that assist consumers and financial professionals learn more about options for college financing;

Provide financial applications and information to a network of online distribution partners and national, regional and local publications; and

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As a result of these acquisitions, our entire Internet-based consumer banking and personal finance network ( Online Network ) includes Bankrate.com, Interest.com, Bankaholic.com, Mortgage-calc.com, CreditCardGuide.com, Nationwidecardservices.com, creditcardsearchengine.com, Savingforcollege.com, Feedisclosure.com, Insureme.com, and Bankrate.com.cn (China).

In addition to our Online Network, we also produce traditional print products, including the *Mortgage Guide* and the *CD & Deposit Guide*, as well as three newsletters. We also syndicate our original editorial content to major print publications such as The Wall Street Journal, The New York Times, USA Today and others.

## **Our Growth**

Bankrate was founded approximately 30 years ago as a print publisher of the newsletter Bank Rate Monitor. From 1976 through 1996, our principal business was the publication of print newsletters, the syndication of unbiased editorial bank and credit product research to newspapers and magazines and advertising sales of the *Mortgage Guide* and the *CD & Deposit Guide*, a newspaper-advertising table consisting of product and rate information from local mortgage companies and financial institutions. The company that we operate today was incorporated in the State of Florida in 1993.

In 1996, we began our online operations by placing our editorially unbiased research on our web site, Bankrate.com. By offering our information online, we created new revenue opportunities through the sale of graphical and hyperlink advertising associated with our rate and yield tables. Over the following decade, we implemented a strategy to concentrate on building our online operations, and have added to and complimented these operations through acquisitions.

We now regularly survey more than 4,800 financial institutions in more than 575 markets in all 50 states to compile current, objective, and unbiased information. Because we have developed a reputation of providing current, objective, and unbiased information, hundreds of print and online partner publications have come to depend on us as their trusted source for financial rates and information.

As part of our strategic expansion, several developments have occurred since January 1, 2008. First, on February 5, 2008, we acquired certain assets and liabilities of InsureMe, Inc. ( InsureMe ) for \$65 million in cash with an additional \$20 million in potential cash earn-out payments (\$10 million paid in February 2009 related to the year ended December 31, 2008) based on achieving certain performance metrics over the next two years. InsureMe, based in Englewood, Colorado, operates a web site and has a relationship with a network of hundreds of affiliates that offer consumers competitive insurance rates for auto, home, life, health and long-term care. InsureMe sells consumer leads to insurance providers who in turn provide consumers quotes for a variety of consumer insurance products.

Second, also on February 5, 2008, we acquired certain assets and liabilities of Lower Fees, Inc. ( Fee Disclosure ) for \$2.85 million in cash and an additional amount in cash in potential earn-out payments based on the achievement of certain financial performance metrics over the next five years. Fee Disclosure, based in Westlake Village, California, developed a patent pending online portal to create an open marketplace to break down complicated vendor fees associated with the mortgage closing process. Fee Disclosure empowers consumers with comprehensive information to make informed real estate decisions and reduce their real estate and mortgage transaction costs. The operations of this acquisition have been under development in 2008 and will require additional development in 2009. We believe that the acquisition will begin to make a revenue contribution in late 2009 or early 2010. See Item 3. Legal Proceedings for a discussion of a legal matter concerning this acquisition.

Third, in April 2008, we launched our Bankrate China web site (Bankrate.com.cn). Bankrate China provides Chinese consumers with similar types of financial education programs that Bankrate.com provides to the domestic consumer with our financial basics, guides, calculators, product comparisons and rate information. To date, no material revenue has been generated by Bankrate China nor do we anticipate a material revenue contribution in 2009.



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Fourth, on September 5, 2008, we completed the acquisition of certain assets and liabilities of LinkSpectrum Co., a North Carolina corporation, for \$34.1 million in cash with an additional \$10 million in potential cash earn-out payments based on achieving certain financial performance metrics over the next two years. The principal asset of LinkSpectrum Co. was its web site, CreditCardGuide.com ( CCG ), which offers online users the ability to shop, compare and apply for credit cards online. We paid \$30.9 million in cash on September 5, 2008, and \$3.2 million in cash was placed in escrow to satisfy certain indemnification obligations of LinkSpectrum Co. and its sole shareholder.

Fifth, on September 23, 2008, we completed the acquisition of certain assets and liabilities of Blackshore Properties, Inc. ( Blackshore ), a California corporation, for \$12.4 million in cash with an additional \$2.5 million in potential cash earn-out payments based on achieving certain performance metrics over the next twelve months. The principal asset of Blackshore was its web site, Bankaholic.com ( Bankaholic ), which offers online users rate and product information as well as research tools on a variety of financial products including mortgage loans and lender information, certificates of deposit, money market accounts, savings accounts, credit cards, insurance quotes and college savings plans. We paid \$11.9 million in cash on September 23, 2008, and \$500,000 in cash was placed in escrow to satisfy certain indemnification obligations of Blackshore and its sole shareholder. The purchase price was paid with cash on hand.

### **Our Business**

We operate a traditional media business on the Internet. We believe we have a high quality, informed audience who stand ready to transact with our advertisers. Bankrate.com is one of the leading web sites for financial information and advice according to comScore Media Metrix.

We believe that an important component of our success has resulted from being recognized as a leader in providing fully researched, comprehensive, independent, objective financial content and data. As a result, we continue to maximize distribution of our research to gain brand recognition as a research authority. We continue to build greater brand awareness of our Online Network and to reach a greater number of online users.

We generate revenue through advertising sales, lead generation, distribution arrangements, and traditional media avenues such as syndication of editorial content and subscriptions. We operate in one industry segment.

We sell to advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country.

Our most common graphic advertisement sizes are leader boards (728 x 90 pixels) and banners (486 x 60 pixels), which are prominently displayed at the top or bottom of a page, skyscrapers (160 x 600 or 120 x 600 pixels), islands (250 x 250 pixels), and posters (330 x 275 pixels). These advertisements are sold according to the cost-per-thousand impressions ( CPM ) the advertiser receives, and in fixed-billed campaigns. With the planned launch of the new re-designed web site in the second quarter of 2009, we plan to accommodate additional advertisement configurations including video. The new re-designed web site will also provide dynamic page reformatting to help optimize the monetization of the site. These advertisements can be targeted to specific areas of our Online Network or on a general rotation basis. In addition, we offer product specific topics that are available for single sponsorships. Rates for product special topics are based on expected impression levels and additional content requirements. Advertising rates may vary depending upon the product areas targeted (home equity has a higher CPM than auto), geo-targeting (a premium for targeting advertisements to a specific state), the quantity of advertisements purchased by an advertiser, and the length of time an advertiser runs an advertisement on our Online Network.

Financial institutions that are listed in our rate tables have the opportunity to hyperlink their listings. By clicking on the hyperlink, users are taken to the institution's web site. We typically sell our hyperlinks on a cost-per-click ( CPC ) pricing model. Under this arrangement, advertisers pay Bankrate a specific,

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pre-determined cost each time a consumer clicks on that advertiser's hyperlink or phone icon (usually found under the advertiser's name in the rate table listings). All clicks are screened for fraudulent characteristics by an independent third party vendor and then charged to the advertiser's account.

We also generate revenue through the sale of leads in the mortgage, credit card and insurance channels. Through Bankrate Select and FastFind, Nationwide Card Services, CreditCardGuide.com and InsureMe, we sell leads to mortgage lenders and brokers, to credit card issuers, and to insurance agents, respectively. In the mortgage and insurance categories, we receive revenue on a cost-per-lead (CPL) basis, while credit card issuers pay us on a per approved application basis. Leads are generated through the various affiliate networks, via co-brands, and through display advertisements.

Although graphic advertisements, hyperlink listings, and lead generation represented approximately 95% of our revenue for the year ended December 31, 2008, we also derive revenue through the sale of print advertisements and the distribution (or syndication) of our editorial content.

The key drivers of our business include the content we produce, the number of in-market consumers visiting our Online Network, the number of page views they generate, and the demand of our Online Network advertisers. Since 2001, the number of advertisers on our web sites has grown steadily. Annual unique visitors and page views have grown from approximately 40 million and 237 million, respectively, in 2001, to almost 72 million and 687 million, respectively, in 2008.

Our gross margin as a percentage of revenue averaged 75% from 2002 to 2005. Our gross margin percentage decreased for the year ended December 31, 2006 to 69%, due to the inclusion of the results of FastFind, MMIS and Interest.com, which we acquired in the fourth quarter of 2005, and increased to 73% for the year ended December 31, 2007. The newspaper rate table business gross margin percentage has averaged 11% over the last two years, and declined to 7% for the year ended December 31, 2008. As online publishing revenue continued to grow as a percentage of total revenue, our overall gross margin percentage expanded. Through the end of 2007, online revenue represented 88% of total revenue and 98% of gross margin dollars, compared to 80% of total revenue and 97% of gross margin dollars for the year ended December 31, 2006. For the year ended December 31, 2008, online revenue represented 95% of total revenue and 99% of gross margin dollars. With the addition of Nationwide Card Services (NCS), and InsureMe, Inc. (InsureMe), whose affiliate driven business models operate at significantly lower gross margins than our online publishing business, our gross margin declined to 60% for the year ended December 31, 2008. If we can drive Bankrate traffic to NCS and InsureMe through our advertising efforts, our content sharing and other products, we believe we can improve gross margins. As we further integrate the CreditCardGuide.com and Bankaholic acquisitions we can expect further margin improvement if we can reduce affiliate and revenue sharing expenses. However, the current market turmoil and tightening of credit have led to an increased level of consumer and commercial delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has, in some cases, adversely affected the financial services industry. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on our advertisers and our online visitors, which may have a negative impact on our revenues and gross margins.

We expect our online publishing revenue to command a larger percentage of revenue in the future while print publishing and licensing revenue remains flat or decreases.

We have steadily reduced operating expenses as a percentage of total revenue from 58% in 2002 to 41% in 2008. We generated approximately \$42.7 million in cash from operations in 2008 and our cash balance was \$46.1 million as of December 31, 2008 after spending an aggregate of approximately \$144.1 million for acquisitions in the fourth quarter of 2007 and first and third quarters of 2008.

**Table of Contents****Operating Expenses as a Percentage of Total Revenue**

<i>(In thousands)</i>	2008	2007	2006	2005	2004
Total revenue	\$ 166,855	\$ 95,592	\$ 79,650	\$ 49,049	\$ 39,204
Operating expenses	67,658	42,099	40,749	21,993	21,130
Operating expenses as a percentage of total revenue	41%	44%	51%	45%	54%

**Our 2009 Outlook**

The global and U.S. economies are experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system in the past year, and that trend appears to continue into 2009. Dramatic declines in the housing market during the past year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail.

Current market turmoil and tightening of credit have led to an increased level of consumer and commercial delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has, in some cases, adversely affected the financial services industry. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on our advertisers and our online users, which may have a negative impact on our revenues and profitability in a variety of ways, including but not limited to the following:

Consolidation of our advertisers can impact our revenues due to the tiered pricing structure of most advertising agreements, which typically offer lower pricing as higher business volumes are achieved.

Consolidation of and the financial challenges confronting our advertisers can increase the bargaining power of our advertisers during new and renewal contract negotiations which may lower our net revenues.

Our advertisers may decrease advertising, thereby reducing our net revenues.

Tightening of credit availability can impact our revenues by limiting the need to advertise for loan and deposit products. With the backdrop of the severe global economic crisis, in 2009, we are focusing on:

Integrating our recent acquisitions to maximize synergies and efficiencies.

Optimizing the revenue of our cost per thousand impressions ( CPMs ) and cost per clicks ( CPCs ) on our Online Network including the integration of the new acquisitions.

Completing the successful launch of our web site re-design.

Enhancing search engine marketing and keyword buying to drive targeted impressions into our Online Network.

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Expanding our co-brand and affiliate footprint.

Increasing advertising for our *Deposit Guide* rate tables.

Broadening the breadth and depth of the personal finance content and products that we offer on our Online Network.

Containing our costs and expenses.

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**Table of Contents****ACCOUNTING POLICIES****Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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. We evaluate our judgments, estimates and assumptions on a regular basis and make changes accordingly. We believe that the judgments, estimates and assumptions involved in the accounting for income taxes, the allowance for doubtful accounts receivable, share-based compensation, useful lives of intangible assets and intangible asset impairment, goodwill impairment, acquisition accounting, and contingencies have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Below we discuss the critical accounting estimates associated with these policies. For further information on our critical accounting policies, see the discussion in the section titled *Results of Operations* below, and Note 2 of our Notes to Consolidated Financial Statements.

***Income Taxes***

We account for income taxes in accordance with Statement of Financial Accounting Standard No. 109, or SFAS 109, *Accounting for Income Taxes*, as clarified by FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income, and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the more likely than not criteria of SFAS No. 109.

FIN 48 requires that we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

***Allowance for Doubtful Accounts Receivable***

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability or unwillingness of our customers to make required payments. We look at historical write-offs and sales growth when determining the adequacy of the allowance. This estimate is inherently subjective because our estimates may be revised as more information becomes available. Should the financial condition of our customers deteriorate, resulting in an impairment of their ability to make payments, or if the level of accounts receivable increases, the need for possible additional allowances may be necessary. Any additions to the allowance for doubtful accounts are recorded as bad debt expense and included in general and administrative expenses. During the years ended December 31, 2008, 2007 and 2006, we charged approximately \$1,225,000, \$941,000 and \$1,226,000, respectively, to bad debt expense, and wrote off approximately \$1,961,000, \$830,000 and \$702,000, respectively, of accounts deemed uncollectible.

***Share-Based Compensation***

We adopted the provisions of, and account for share-based compensation in accordance with, SFAS No.123R, *Share-Based Payment*, effective January 1, 2006. We elected the modified-prospective method, pursuant to which prior periods are not revised for comparative purposes. Under the fair value recognition

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provisions of this statement, share-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

We currently use the Black-Scholes option pricing model to determine the fair value of our stock options. As discussed in the notes to our consolidated financial statements, the determination of the fair value of the awards on the date of grant using an option-pricing model is affected by the price of our common stock as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, expected dividends and estimated forfeiture rates.

We estimate the expected term of outstanding options by taking the average of the vesting term and the contractual term of the option, as illustrated in SEC Staff Accounting Bulletin ( SAB ) 107. We currently use the simplified method to estimate the expected term for employee stock option grants as adequate historical experience is not available to provide a reasonable estimate. SAB 110 is effective for stock options granted after December 31, 2007. We adopted SAB 110 effective January 1, 2008 and will continue to apply the simplified method until enough historical experience is available to provide a reasonable estimate of the expected term for stock option grants. We estimate the volatility of our common stock by using a weighted average of historical stock price volatility and implied volatility in market traded options in accordance with SAB 107. Our decision to use a weighted average volatility factor was based upon the relatively short period of availability of data on actively traded options on our common stock, and our assessment that implied volatility is more representative of future stock price trends than historical volatility. We base the risk-free interest rate that we use in the option pricing model on U.S. Treasury constant maturity issues having remaining terms similar to the expected terms on the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. All share-based payment awards are amortized on a straight-line basis over the requisite service period, which is generally the vesting period.

If factors change and we employ different assumptions for estimating share-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable; characteristics not present in our option grants. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those share-based payments in the future. Certain share-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There currently is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values.

There are significant differences among valuation models for estimating share-based compensation, and there is a possibility that we will adopt different valuation models in the future. This may result in a lack of consistency in future periods and materially affect the fair value estimate of share-based payments. It may also result in a lack of comparability with other companies that use different models, methods and assumptions.

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Share-based compensation expense recognized in our consolidated statements of income for each of the three years ended December 31, 2008 is as follows:

<i>(In thousands)</i>	Year Ended December 31,		
	2008	2007	2006
<b>Income Statement Classifications</b>			
<b>Cost of revenue:</b>			
Online publishing	\$ 1,798	\$ 1,984	\$ 1,077
Print publishing and licensing	165	159	148
<b>Operating expenses:</b>			
Sales	2,206	1,334	662
Marketing	760	630	
Product development	1,068	803	474
General and administrative	7,420	6,299	6,363
Total	\$ 13,417	\$ 11,209	\$ 8,724

See Note 3 of Notes to Consolidated Financial Statements for further information regarding SFAS No. 123R disclosures.

**Goodwill Impairment**

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we review our goodwill for impairment annually, or more frequently, if facts and circumstances warrant a review, at the reporting unit level. We make judgments about goodwill whenever events or changes in circumstances indicate that an impairment in the value of goodwill recorded on our balance sheet may exist. The timing of an impairment test may result in charges to our statement of income in our current reporting period that could not have reasonably been foreseen in prior periods. In order to estimate the fair value of goodwill, we typically make various assumptions about the future prospects of the reporting unit in which the goodwill is recorded, consider market factors and estimate our future cash flows. Based on these assumptions and estimates, we determine whether we need to record an impairment charge to reduce the value of the asset carried on our balance sheet to its estimated fair value. Assumptions and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, different assumptions and estimates could materially affect our reported financial results. More conservative assumptions of the anticipated future benefits could result in impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values.

We have determined that we have one segment with two reporting units, online publishing and print publishing and licensing. The provisions of SFAS No. 142 require that a two-step test be performed to assess goodwill for impairment. First, the fair value of the reporting unit is compared to its carrying value. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. The second step is performed if the carrying value exceeds the fair value. The implied fair value of the reporting unit's goodwill must be determined and compared to the carrying value of the goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied value, an impairment loss equal to the difference will be recorded. In determining the fair value of our reporting units, we relied on the Income Approach and the Market Approach. Under the Income Approach, the fair value of a business unit is based on the cash flows it can be expected to generate over its remaining life. The estimated cash flows are converted to their present value equivalent using an appropriate rate of return. The Market Approach utilizes a market comparable method whereby similar publicly traded

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companies are valued using Market Values of Invested Capital ( MVIC ) multiples (i.e., MVIC to revenue, MVIC to earnings before interest and taxes, MVIC to cash flow, etc.) and then these MVIC multiples are applied to a company's operating results to arrive at an estimate of value.

We completed our annual goodwill impairment test during the fourth quarter of 2008 and determined that the carrying amount of goodwill was not impaired. Significant changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit, which could trigger future impairment. We did not recognize any goodwill impairment charges in 2008, 2007, or 2006.

### ***Useful Lives and Impairment of Long-Lived Assets***

We evaluate long-lived assets, including intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recorded for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

SFAS No. 142 also requires that intangible assets with finite lives be amortized over their estimated useful life and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We continually monitor events and changes in circumstances that could indicate carrying amounts of our intangible assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of intangible assets by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of the intangible assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. In the fourth quarter of 2008, we recorded impairment charges of approximately \$519,000 related to certain developed technology and Internet domain names that we ceased using. In the fourth quarter of 2008 we also recorded an impairment charge of approximately \$1,914,000 related to customer relationships in our print publishing and licensing business due to the continuing trend of declining revenue and operating margins with no indications of improvement in the near future.

### ***Acquisition Accounting***

We completed four acquisitions in 2008, two acquisitions in 2007 and one acquisition in 2006. The purchase method of accounting requires companies to assign values to assets and liabilities acquired based upon their fair values. In most instances, there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. The determination of fair value for assets and liabilities in many instances requires a high degree of estimation. The valuation of intangibles assets, in particular, is very subjective. We generally use internal cash flow models. The use of different valuation techniques and assumptions can change the amounts and useful lives assigned to the assets and liabilities acquired, including goodwill and other intangible assets and related amortization expense. Additionally, SFAS 141R, *Business Combinations* will change how acquisitions are accounted for and will impact financial statements on both the acquisition date and in subsequent periods. We do not anticipate that revisions to the amounts allocated to acquired assets and liabilities, if any, will be significant to our consolidated financial statements.

### ***Contingencies***

As discussed in Note 6 to the consolidated financial statements ( Note 6 ), two separate legal proceedings are pending against us.

We record provisions in the consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Except as discussed



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in Note 6, at the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, (i) management has concluded that it is not probable that a loss has been incurred; (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome; and (iii) accordingly, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. Legal defense costs are expensed as incurred.

**Recent Accounting Pronouncements**

See Note 2 in Notes to Consolidated Financial Statements.

**RESULTS OF OPERATIONS**

The following is our analysis of the results of operations for the periods covered by our financial statements, including a discussion of the accounting policies and practices that we believe are critical to an understanding of our consolidated results of operations and to making the estimates and judgments underlying our financial statements. This analysis should be read in conjunction with our financial statements, including the related notes to the financial statements. Other accounting policies are contained in Note 2 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data. A detailed discussion of our accounting policies and procedures is set forth in the applicable sections of this analysis.

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

	Year Ended December 31,		
	2008	2007	2006
<b>Statement of Income Data</b>			
Revenue:			
Online publishing	95%	88%	80%
Print publishing and licensing	5	12	20
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>
Cost of revenue:			
Online publishing	35	16	14
Print publishing and licensing	5	11	17
<b>Total cost of revenue</b>	<b>40</b>	<b>27</b>	<b>31</b>
<b>Gross margin</b>	<b>60</b>	<b>73</b>	<b>69</b>
Operating expenses:			
Sales	5	6	6
Marketing	8	9	6
Product development	4	5	5
General and administrative	16	21	27
Impairment charges	1		
Legal settlement			4
Depreciation and amortization	6	3	3
	40	44	51
<b>Income from operations</b>	<b>20</b>	<b>29</b>	<b>18</b>
<b>Interest income</b>	<b>1</b>	<b>7</b>	<b>4</b>
<b>Income before income taxes</b>	<b>21</b>	<b>36</b>	<b>22</b>
<b>Income tax expense</b>	<b>9</b>	<b>15</b>	<b>9</b>

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Net income

12%

21%

13%

38

**Table of Contents****Revenue**

<i>(In thousands)</i>	<b>Total Revenue</b>		
	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Online publishing	\$ 158,053	\$ 83,695	\$ 63,971
Print publishing and licensing	8,802	11,897	15,679
	<b>\$ 166,855</b>	<b>\$ 95,592</b>	<b>\$ 79,650</b>

**Online Publishing Revenue**

We sell graphic advertisements on our Online Network consisting primarily of leaderboards, banners, badges, islands, posters, and skyscraper advertisements. These advertisements are typically sold to advertisers according to the cost-per-thousand impressions ( CPM ) or cost-per-lead ( CPL ) the advertiser receives, and in fixed-billed campaigns. The amount of advertising we sell is a function of (1) the number of visitors to our Online Network, (2) the number of ad pages we serve to those visitors, (3) the click through rate of our visitors on hyperlinks, (4) the number of advertisements per page, (5) the rate at which consumers apply for financial product offerings, and (6) advertiser demand. Advertising sales are invoiced monthly at amounts based on specific contract terms. When the number of impressions over the contract term is guaranteed, the monthly invoiced amount is based on the monthly contractual number of impressions delivered at the contractual price or CPM. Revenue is recognized monthly based on the actual number of impressions delivered, and the revenue corresponding to any under-delivery is deferred as unearned income on the balance sheet and is recognized later when the under-delivery is served. When the number of impressions over the contract term is not guaranteed, the monthly invoiced amount is determined and revenue is recognized based on the actual number of impressions delivered at the contractual price or CPM.

We also recognize revenue based on the actual number of leads generated in the month the lead is approved. Additionally, we generate revenue on a per action basis (i.e., a purchase or completion of an application) when a visitor to our Online Network transacts with one of our advertisers after viewing an advertisement. Revenue is recognized monthly based on the number of actions reported by the advertiser, subject to our verification.

We are also involved in revenue sharing arrangements with our online partners where the consumer uses co-branded sites hosted by us. Revenue is effectively allocated to each partner based on the revenue earned from each site. The allocated revenue is shared according to distribution agreements. Revenue is recorded at gross amounts and partnership payments are recorded in cost of revenue, pursuant to the provisions of Emerging Issues Task Force ( EITF ) Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*.

We also sell hyperlinks (interest rate table listings) on our Online Network on a cost-per-click, or CPC basis. Advertisers pay us each time a visitor to our Online Network clicks on a rate table listing, net of invalid clicks. We also sell text links on our rate pages to advertisers on a CPC basis. Advertisers enter an auction bidding process on a third-party web site for placement of their text link based on the amount they are willing to pay for each click through to their web site. We recognize revenue monthly for each text link based on the number of clicks at the CPC contracted for during the auction bidding process.

<i>(In thousands)</i>	<b>Online Publishing Revenue</b>				
	<b>Year Ended December 31,</b>				
	<b>2008</b>	<b>YOY</b>	<b>2007</b>	<b>YOY</b>	<b>2006</b>
		<b>Change</b>		<b>Change</b>	
Graphic ads and lead generation	\$ 106,752	128%	\$ 46,762	26%	\$ 37,256
Hyperlinks	51,301	39%	36,933	38%	26,715
	<b>\$ 158,053</b>	<b>89%</b>	<b>\$ 83,695</b>	<b>31%</b>	<b>\$ 63,971</b>

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Online publishing revenue was \$158,053,000, \$83,695,000, and \$63,971,000 in 2008, 2007, and 2006, respectively, representing annual growth rates of 89% and 31% for 2008 and 2007, respectively.

Page views for the year ended December 31, 2008 were 687.1 million and were 132.6 million, or 24%, higher than the 554.5 million reported in the same period in 2007.

The 128% increase in graphic ad and lead generation revenue during the year ended December 31, 2008 compared to the same period ended in 2007 was driven by an increase in advertiser demand for our Bankrate Select lead generation products which were up \$4.6 million, or 326% over 2007, and the new credit card and insurance products revenue acquired in the fourth quarter 2007, and our first quarter and third quarter 2008 acquisitions, offset by a decline in graphic ad network revenue. The graphic ad revenue decline was a result of the global problems in the banking and financial sectors which directly impacted display advertising volumes from several of our largest financial advertisers.

Hyperlink revenue was up \$14,369,000, or 39%, for the year ended December 31, 2008 compared to the same period in 2007 due to a 14% increase in the number of clicks processed and a 33% increase in the average revenue per click.

Graphic ad revenue for the year ended December 31, 2007 of \$46,762,000 was \$9,506,000, or 26%, higher than the \$37,256,000 reported in the same period of 2006. Page views were 554.5 million, up 67.1 million, or 14%, from the 487.4 million reported in the same period in 2006. Overall, the increase in graphic ad revenue was driven by an increase in advertiser demand partially offset by a decline in revenue generated by our Bankrate *Select* lead generation business.

Hyperlink revenue was up \$10,218,000, or 38%, in the year ended December 31, 2007 compared to 2006. We benefited from favorable product pricing, an increase in the number of clicks processed, and an increase in revenue per click.

A majority of our advertising customers purchase advertising under short-term contracts. Online publishing revenue would be adversely impacted if we experienced contract terminations, or if we were not able to renew contracts with existing customers or obtain new customers. The market for Internet advertising is intensely competitive and has, in the past, experienced downturns in demand that could adversely impact advertising rates. Future revenue could be adversely affected if advertising demand declined and we were forced to reduce our advertising rates or if we were to experience lower CPMs.

In terms of page views, we believe our online business' s quarterly page view volumes will continue to be relatively consistent quarter to quarter with the exception of the fourth quarter where we typically experience lower traffic volume due to the holiday season. The first and fourth quarters of 2008 were atypically high in page view volume in the first quarter due to declining mortgage interest rates and increasing refinance activity, and in the fourth quarter due to the economic challenges impacting consumers.

**Page Views**

<i>(In millions)</i>	2008	2007	2006	2005	2004
<b>Q1</b>	214.4	143.2	124.2	111.0	117.2
<b>Q2</b>	147.9	136.1	116.0	113.8	92.6
<b>Q3</b>	160.1	144.2	126.6	107.8	92.0
<b>Q4</b>	164.7	131.0	120.6	97.6	91.3
<b>Year</b>	687.1	554.5	487.4	430.2	393.1

**Table of Contents****Print Publishing and Licensing Revenue**

Print publishing and licensing revenue represents advertising revenue from the sale of advertising in the *Mortgage Guide* and *CD & Deposit Guide* (formerly called *Consumer Mortgage Guide*) rate tables, newsletter subscriptions, and licensing of research information. We charge a commission for placement of the *Mortgage Guide* and *CD & Deposit Guides* in a print publication. Advertising revenue and commission income is recognized when the *Mortgage Guide* and *CD & Deposit Guides* run in the publication. Revenue from our newsletters is recognized ratably over the period of the subscription, which is generally up to one year. Revenue from the sale of research information is recognized ratably over the contract period.

We also earn fees from distributing editorial rate tables that are published in newspapers and magazines across the United States, from paid subscriptions to three newsletters, and from providing rate surveys to institutions and government agencies. In addition, we license research data under agreements that permit the use of rate information we develop to advertise the licensee's products in print, radio, television and web site promotions. Revenue for these products is recognized ratably over the contract/subscription periods. Finally, we occasionally sell editorial free-standing inserts. A free-standing insert, or FSI, is a preprinted advertising booklet that is loosely inserted between the pages of a newspaper or magazine. We develop the FSIs with our editorial content, and then sell the sponsorship of the FSI to one or more advertisers.

(In thousands)	Print Publishing and Licensing Revenue Year Ended December 31,				
	2008	YOY Change	2007	YOY Change	2006
<i>Mortgage</i> and <i>CD &amp; Deposit Guide</i>	\$ 8,421	-23%	\$ 10,942	-26%	\$ 14,713
Editorial	381	-60%	955	-1%	966
	\$ 8,802	-26%	\$ 11,897	-24%	\$ 15,679

Print publishing and licensing revenue for the year ended December 31, 2008 of \$8,802,000 was \$3,095,000, or 26%, lower than the \$11,897,000 reported in the same period in 2007 primarily due to a decline in *Mortgage Guide* and *CD & Deposit Guide* revenue related to lower advertising units in 2007. We expect the print publishing and licensing business to continue to account for 4% or less of total revenue for the next year with a gross margin similar to, or slightly less than, the 2008 gross margin. We continue to believe that this business assists in enhancing brand awareness and drives a significant amount of traffic to our Online Network.

Print publishing and licensing revenue for the year ended December 31, 2007 of \$11,897,000 was \$3,782,000, or 24%, lower than the \$15,679,000 reported in the same period in 2006 primarily due to a decline in *Mortgage* and *CD & Deposit Guide* revenue related to lower advertising units in 2007.

**Cost of Revenue****Online Publishing Costs**

Online publishing costs represent expenses directly associated with the creation of online publishing revenue. These costs include contractual revenue sharing obligations resulting from our distribution arrangements (distribution payments), salaries, editorial costs, market analysis and research costs, share-based compensation expense, and allocated overhead. Distribution payments are made to web site operators for visitors directed to our Online Network as well as to affiliates for leads directed to our Online Network. These costs increase proportionately with gains related to revenue from our Online Network. 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 Bankrate.com under distribution arrangements. These sites must be maintained on a daily basis. Research costs include expenses related to gathering data on banking and credit products and consist primarily of compensation and benefits and allocated overhead.

**Table of Contents****Online Publishing Gross Margin**

<i>(In thousands)</i>	Year Ended December 31,		
	2008	2007	2006
Online publishing revenue	\$ 158,053	\$ 83,695	\$ 63,971
Cost of online publishing revenue	57,905	15,149	11,101
<b>Gross margin</b>	<b>\$ 100,148</b>	<b>\$ 68,546</b>	<b>\$ 52,870</b>

Gross margin as a percentage of revenue 63% 82% 83%

Online publishing costs for the year ended December 31, 2008 of \$57,905,000 were \$42,755,000, or 282%, higher than the same period in 2007. The majority of this increase relates to cost of revenue for our credit card and insurance acquisitions (approximately \$32 million for affiliate payments and \$12.7 million in lead acquisition costs). The remainder of the increase was due primarily to \$1.6 million higher revenue sharing payments to distribution partners consistent with higher levels of revenue offset by \$1.9 million in lower Internet hosting and other infrastructure costs. Our online gross margin for the year ended December 31, 2008 was 63%, compared to 82% for the same period in 2007, due primarily to the addition of NCS and InsureMe, whose business models operate at significantly lower gross margins. Online publishing revenue was 95% of total revenue and represented 99% of gross margin for 2008.

Online publishing costs for the year ended December 31, 2007 of \$15,149,000 were \$4,048,000, or 36%, higher than the same period in 2006. The increase was due to \$2,158,000 of direct costs associated with the fourth quarter acquisitions; higher share-based compensation expense of \$907,000; higher human resource, consulting and contract labor costs of \$554,000; higher revenue sharing payments of \$382,000; higher freelance writers expense of \$143,000; \$91,000 higher radio production costs; and \$46,000 higher travel-related expenses. These higher costs were offset by \$106,000 lower web analytics costs and \$127,000 in net lower allocations and other department expenses.

**Print Publishing and Licensing Costs**

Print publishing and licensing costs represent expenses associated with print publishing revenue. These costs include contractual revenue sharing obligations with newspapers related to the *Mortgage Guide* and *CD & Deposit Guides*, compensation and benefits, printing, share-based compensation expense, and allocated overhead, and exclude depreciation and amortization. These costs typically vary proportionately with the related revenues.

<i>(In thousands)</i>	Print Publishing and Licensing Gross Margin		
	Year Ended December 31,		
	2008	2007	2006
Print publishing and licensing revenue	\$ 8,802	\$ 11,897	\$ 15,679
Cost of print publishing and licensing revenue	8,190	10,698	13,845
<b>Gross margin</b>	<b>\$ 612</b>	<b>\$ 1,199</b>	<b>\$ 1,834</b>

Gross margin as a percentage of revenue 7% 10% 12%

For the year ended December 31, 2008, print publishing and licensing costs decreased \$2,508,000, or 23%, from the same period in 2007 due primarily to \$2,148,000 lower revenue sharing payments consistent with a \$3.1 million, or 26%, decline in revenue; \$307,000 lower printing and advertising costs as no FSIs were sold in 2008; and \$109,000 lower human resource costs. We expect the print publishing and licensing business to account for 4% or less of total revenue for the next year with a gross margin similar to, or slightly less than, the 2008 gross margin. We continue to believe that this business assists in enhancing brand awareness and drives a significant amount of traffic to our Online Network.

For the year ended December 31, 2007, print publishing and licensing costs decreased \$3,147,000, or 23%, from the same period in 2006 due to \$2,747,000 lower revenue sharing payments consistent with a \$3.8 million,



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or 24%, decline in revenue; \$471,000 lower human resource costs due to a 29% decrease in average headcount; and \$83,000 lower sales commission expense following the decline in revenue. These lower costs were offset by \$102,000 higher printing costs associated with the first and third quarter FSIs, and \$52,000 in higher travel costs and other department expenses.

### **Operating Expenses**

#### ***Sales***

Sales costs represent direct selling expenses, principally for online advertising, and include compensation and benefits, sales commissions, allocated overhead, and share-based compensation expense.

Sales costs for the year ended December 31, 2008 of \$9,097,000, were \$2,713,000, or 42%, higher than the same period in 2007. The increase was due primarily to \$1.7 million in costs associated with the acquisitions; higher stock compensation expense of \$872,000; higher human resource costs of \$276,000 due to increased headcount and higher salaries; and \$88,000 higher national conference costs; offset by lower commission expense of \$201,000.

Sales costs for the year ended December 31, 2007 of \$6,384,000, were \$1,329,000, or 26%, higher than the same period in 2006. The increase is due primarily to higher stock compensation expense of \$672,000; higher human resource costs of \$460,000 due to increased headcount and higher salaries; higher commission expense of \$142,000; and a net \$55,000 higher other department expenses.

#### ***Marketing***

Marketing costs represent expenses associated with expanding brand awareness of our products and services to consumers and include key word (pay-per-performance) campaigns on Internet search engines, print and Internet advertising, marketing and promotion costs, and share-based compensation expense.

Marketing expenses for the year ended December 31, 2008, increased \$4,722,000, or 56%, over the comparable period in 2007 primarily due to \$3.3 million in costs associated with the acquisitions; \$873,000 higher keyword campaign costs to drive more traffic to our Online Network; \$323,000 higher production costs for video segments; \$130,000 higher share-based compensation expense; and \$126,000 higher human resource costs based on higher staffing levels.

Marketing expenses for the year ended December 31, 2007, increased \$3,639,000, or 75%, over the comparable period in 2006 due to \$1,866,000 higher keyword campaign costs to drive more traffic to our Online Network; \$630,000 higher share-based compensation expense; \$470,000 higher human resource costs supporting the management team put in place in the fourth quarter of 2006 to focus on our consumer marketing needs; \$393,000 higher purchased software and web analytics tools to more efficiently manage keyword campaigns; \$160,000 higher market research and promotions; and approximately \$120,000 higher other department infrastructure costs.

#### ***Product Development***

Product development 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 share-based compensation expense.

Product development costs for the year ended December 31, 2008, of \$7,135,000 were \$2,479,000, or 53%, higher than the comparable period in 2007 due primarily to \$1.9 million in costs related to the acquisitions; \$264,000 higher share-based compensation expense from new equity award grants; and \$264,000 higher costs associated to web analytics tools.



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Product development costs for the year ended December 31, 2007, of \$4,656,000 were \$1,035,000, or 29%, higher than the same period in 2006 due primarily to \$594,000 higher human resource costs related to additional headcount and contract labor; \$329,000 higher share-based compensation expense; \$292,000 higher costs associated with software and web analytics tools; partially offset by \$180,000 lower allocated corporate infrastructure costs.

### ***General and Administrative***

General and administrative expenses represent compensation and benefits for executive, finance and administrative personnel, professional fees, share-based compensation expense, non-allocated overhead and other general corporate expenses. These expenses for the year ended December 31, 2008 were \$6.8 million, or 34%, higher than the same period in 2007 due primarily to \$4.2 million of expenses related to the acquisitions; \$1.1 million higher share-based compensation expense due to new equity award grants; \$745,000 higher human resource and other infrastructure costs due to higher headcount; and \$638,000 higher accounting fees due to the acquisitions.

General and administrative expenses for the year ended December 31, 2007 decreased \$1,982,000, or 9%, from the year ended December 31, 2006. The decrease is primarily due to \$1,438,000 in lower legal fees (American Interbanc matter settled in 2006); \$492,000 lower human resource costs (lower headcount); \$269,000 in lower accounting and professional fees (fewer specialists used in 2007); \$657,000 more in allocations to other departments; and \$188,000 in lower other infrastructure and operating costs. These lower expenses were partially offset by \$628,000 higher rent expense; and \$434,000 higher incentive plan compensation expense.

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability or unwillingness of our customers to make required payments. We look at historical write-offs and sales growth when determining the adequacy of the allowance. Should the financial condition of our customers deteriorate, resulting in an impairment of their ability to make payments, or if the level of accounts receivable increases, the need for possible additional allowances may be necessary. Any additions to the allowance for doubtful accounts are recorded as bad debt expense and included in general and administrative expenses.

### ***Legal Settlement Charge***

On October 9, 2006, we entered into a Confidential Final Settlement Agreement and Mutual Release (the Agreement) with American Interbanc Mortgage, LLC. Under the terms of the Agreement, we agreed to make a one-time cash payment of \$3.0 million to AI and AI agreed to dismiss the lawsuit with no ability to reassert its claims against us. We agreed to certain terms and conditions that permit AI to advertise on Bankrate.com. We believe that all of AI's claims against us were factually and legally without merit and did not admit to any wrongdoing as part of the settlement. The \$3.0 million cash payment is included in the accompanying consolidated statement of income as legal settlement.

### ***Depreciation and Amortization***

Depreciation and amortization expense represents the cost of capital asset acquisitions spread over their expected useful lives. These expenses are spread over three to seven years and are calculated on a straight-line basis. 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 purchase method of accounting. Intangible assets are being amortized over their estimated useful lives ranging from 2 years to 20 years, on a straight-line basis.

Depreciation and amortization expense increased \$6.4 million, or 234%, for the year ended December 31, 2008 over 2007 due to \$6.0 million of higher intangibles amortization expense related to our fourth quarter 2007 and first and third quarter 2008 acquisitions, and \$462,000 higher depreciation expense related to depreciable asset purchases.

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Depreciation and amortization expense increased \$329,000, or 14%, for the year ended December 31, 2007 over 2006 due to \$111,000 related primarily to additional depreciation expense on purchases of infrastructure and facilities-related assets acquired in 2006 and 2007, and \$217,000 of higher intangibles amortization expense related to Mortgage-calc.com acquired in August 2006, and NCS and SFC acquired in the fourth quarter of 2007.

**Interest Income**

Interest income consists of income on invested cash and cash equivalents and short-term investments. Interest income for the year ended December 31, 2008 was 77% lower than the same amount reported in 2007 due to lower interest rates and lower cash balances during the period due to the \$114.9 million cash payments made for the four 2008 acquisitions. Interest income for the year ended December 31, 2007 was approximately 126% higher than the comparable amount in 2006 due to the interest earned on the \$92.4 million in net proceeds received in May 2006 from our secondary offering of common stock, and our cash generated from operations, net of the \$29.7 million cash payments made for our two fourth quarter 2007 acquisitions.

**Income Taxes**

The change in our effective tax rate from approximately 41% in 2006 to approximately 43% in 2008 was primarily due to the effect of share-based compensation expense for incentive stock options.

(In thousands)	Year Ended December 31,		2007	Change	2006
	2008	Change			
Income tax expense	\$ 15,043	5%	\$ 14,280	107%	\$ 6,911
Effective tax rate	43%		42%		41%

As of December 31, 2008, we had no net operating loss carryforwards ( NOL ) for income tax purposes as we utilized approximately \$9,676,000 of all remaining state NOLs in 2007.

**Goodwill and Other Intangibles**

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we review our goodwill for impairment annually, or more frequently, if facts and circumstances warrant a review, at the reporting unit level. We have determined that we have one segment with two reporting units, online publishing and print publishing and licensing. The provisions of SFAS No. 142 require that a two-step test be performed to assess goodwill for impairment. First, the fair value of the reporting unit is compared to its carrying value. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. The second step is performed if the carrying value exceeds the fair value. The implied fair value of the reporting unit's goodwill must be determined and compared to the carrying value of the goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied value, an impairment loss equal to the difference will be recorded. In determining the fair value of our reporting units, we relied on the Income Approach and the Market Approach. Under the Income Approach, the fair value of a business unit is based on the cash flows it can be expected to generate over its remaining life. The estimated cash flows are converted to their present value equivalent using an appropriate rate of return. The Market Approach utilizes a market comparable method whereby similar publicly traded companies are valued using Market Values of Invested Capital ( MVIC ) multiples (i.e., MVIC to revenue, MVIC to earnings before interest and taxes, MVIC to cash flow, etc.) and then these MVIC multiples are applied to a company's operating results to arrive at an estimate of value.

We completed our annual goodwill impairment test during the fourth quarter of 2008 and determined that the carrying amount of goodwill was not impaired.

**Impairment of Long-Lived Assets**

We evaluate long-lived assets and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability

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of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recorded in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

SFAS No. 142 also requires that intangible assets with finite lives be amortized over their estimated useful life and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We continually monitor events and changes in circumstances that could indicate carrying amounts of its intangible assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of intangible assets by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of the intangible assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. In the fourth quarter of 2008, we recorded impairment charges of approximately \$519,000 related to certain developed technology and Internet domain names that we ceased using. We also recorded an impairment charge of approximately \$1,914,000 related to customer relationships in our print publishing and licensing business due to the continuing trend of declining revenue and operating margins with no indications of improvement in the near future.

**Table of Contents****QUARTERLY RESULTS OF OPERATIONS**

The following table (presented in thousands, except share and per share amounts) presents certain unaudited quarterly statement of income data for each of the last 8 quarters through the year ended December 31, 2008. The information has been derived from our unaudited condensed consolidated financial statements. In the opinion of our management, the unaudited condensed consolidated financial statements have been prepared on a basis consistent with the financial statements which appear elsewhere in this Form 10-K and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position and results of operations for such unaudited periods. Historical results are not necessarily indicative of results to be expected in the future.

	Unaudited Year Ended December 31, 2008 (A)				Unaudited Year Ended December 31, 2007 (B)			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
<b>Revenue:</b>								
Online publishing	\$ 38,288	\$ 41,946	\$ 37,814	\$ 40,005	\$ 22,779	\$ 21,624	\$ 20,240	\$ 19,052
Print publishing and licensing	1,878	2,087	2,379	2,458	2,452	3,229	3,039	3,176
<b>Total revenue</b>	<b>40,166</b>	<b>44,033</b>	<b>40,193</b>	<b>42,463</b>	<b>25,231</b>	<b>24,853</b>	<b>23,279</b>	<b>22,228</b>
<b>Cost of revenue:</b>								
Online publishing	13,349	15,311	15,147	14,098	5,816	3,142	3,049	3,142
Print publishing and licensing	1,695	1,975	2,212	2,308	2,283	2,873	2,713	2,828
<b>Total cost of revenue</b>	<b>15,044</b>	<b>17,286</b>	<b>17,359</b>	<b>16,406</b>	<b>8,099</b>	<b>6,015</b>	<b>5,762</b>	<b>5,970</b>
<b>Gross margin</b>	<b>25,122</b>	<b>26,747</b>	<b>22,834</b>	<b>26,057</b>	<b>17,132</b>	<b>18,838</b>	<b>17,517</b>	<b>16,258</b>
<b>Operating expenses:</b>								
Sales	2,304	2,508	2,207	2,078	1,685	1,773	1,640	1,287
Marketing	3,806	3,448	3,115	2,828	2,612	2,286	2,121	1,455
Product development	1,885	1,658	1,890	1,702	1,327	1,218	1,158	953
General and administrative	6,722	6,570	6,580	6,790	5,080	5,669	4,877	4,227
Impairment charges (C)	2,433							
Depreciation and amortization	2,668	2,423	2,246	1,797	805	632	649	645
	19,818	16,607	16,038	15,195	11,509	11,578	10,445	8,567
<b>Income from operations</b>	<b>5,304</b>	<b>10,140</b>	<b>6,796</b>	<b>10,862</b>	<b>5,623</b>	<b>7,260</b>	<b>7,072</b>	<b>7,691</b>
<b>Interest income</b>	<b>46</b>	<b>310</b>	<b>360</b>	<b>846</b>	<b>1,727</b>	<b>1,824</b>	<b>1,675</b>	<b>1,462</b>
<b>Income before income taxes</b>	<b>5,350</b>	<b>10,450</b>	<b>7,156</b>	<b>11,708</b>	<b>7,350</b>	<b>9,084</b>	<b>8,747</b>	<b>9,153</b>
<b>Income tax expense</b>	<b>2,682</b>	<b>4,410</b>	<b>3,077</b>	<b>4,874</b>	<b>3,255</b>	<b>3,723</b>	<b>3,522</b>	<b>3,781</b>
<b>Net income</b>	<b>\$ 2,668</b>	<b>\$ 6,040</b>	<b>\$ 4,079</b>	<b>\$ 6,834</b>	<b>\$ 4,095</b>	<b>\$ 5,361</b>	<b>\$ 5,225</b>	<b>\$ 5,372</b>
<b>Basic and diluted net income per share:</b>								
<b>Net income</b>								
Basic	\$ 0.14	\$ 0.32	\$ 0.22	\$ 0.36	\$ 0.22	\$ 0.29	\$ 0.29	\$ 0.29
Diluted	0.14	0.32	0.21	0.35	0.21	0.28	0.28	0.28
<b>Weighted average common shares outstanding:</b>								
Basic	18,797,814	18,807,840	18,907,321	18,880,521	18,688,571	18,424,428	18,325,404	18,250,836
Diluted	19,133,106	19,091,963	19,557,759	19,607,246	19,505,158	19,249,130	18,959,646	18,880,646

(A) Includes the acquired operations of Bankaholic.com, CreditCardGuide.com, InsureMe, Inc. and Lower Fees, Inc. from the date of acquisition.

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- (B) Includes the acquired operations of Nationwide Card Services, Inc., and Savingforcollege.com, LLC from the dates of acquisition.
- (C) Represents impairment losses on certain developed technology, Internet domain names and customer relationships in our print publishing and licencing business.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

<i>(In thousands)</i>	December 31, 2008	December 31, 2007	Change
Cash, cash equivalents and short-term investments	\$ 46,055	\$ 125,058	\$ (79,003)
Working capital	48,874	139,437	(90,563)
Stockholders' equity	248,430	217,266	31,164

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. The carrying value of these investments approximates fair value. As of December 31, 2008, we were not invested in any investment grade auction rate securities.

As of December 31, 2008, we had working capital of \$48.9 million and our primary commitments were approximately \$8.9 million in operating lease payments over the next eight years, acquisition cash earn-out payments to InsureMe of \$10 million paid in February 2009 and \$1.75 million to NCS to be paid in April 2009, and capital expenditures and recurring payables and accruals arising during the course of operating our business, all estimated at approximately \$23.1 million through December 31, 2009. We generally establish payment terms with our vendors that extend beyond the amount of time required to collect from our customers. As discussed in Item 1. Business Recent Developments, we acquired the assets of four companies in 2008 for which we made immediate cash payments of approximately \$114.4 million.

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 all of the potential cash earn-out 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 when required.

**Stock Repurchase Plan**

In April 2008, our board of directors approved a stock repurchase plan (the Repurchase Plan). According to the terms of the Repurchase Plan, we may repurchase up to \$50 million of our outstanding common stock. Stock repurchases under the Repurchase Plan may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate and will be funded using our working capital. The timing and amount of specific repurchases are subject to the requirements of the Securities and Exchange Commission, market conditions, alternative uses of capital and other factors. The Repurchase Plan does not obligate us to acquire any particular amount of shares and the Repurchase Plan may be limited or terminated at any time without prior notice. Shares of stock repurchased under the Repurchase Plan will be cancelled. As of December 31, 2008, 165,000 shares were purchased for an average price of \$26.57 under the Repurchase Plan and were subsequently retired.

**Contractual Obligations**

The following table represents the amounts due under the specified types of contractual obligations as of December 31, 2008:

<i>(In thousands)</i>	Total	Payments Due Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Operating lease obligations (1)	\$ 8,912	\$ 1,613	\$ 2,439	\$ 2,109	\$ 2,751
Purchase obligations (2)	388	335	53		
Acquisition earn-outs payable (3)	11,750	11,750			
	\$ 21,050	\$ 13,698	\$ 2,492	\$ 2,109	\$ 2,751

- (1) Includes our obligations under existing operating leases. See Note 6 to our consolidated financial statements in Item 8 for further details related to our lease obligations.



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- (2) Represents base contract amounts for Internet hosting, co-location, content distribution and other infrastructure costs.
- (3) Represents contractual amounts due to InsureMe and NCS based on their respective acquisition agreements that have been earned but excludes any other contingent earn-out payments to be made pursuant to asset purchase agreements.

During the year ended December 31, 2008, we generated \$42.7 million of net cash from operating activities. Our net income of \$19.6 million was adjusted for the impact of share-based compensation expense of \$13.4 million; excess tax benefits resulting from stock options of \$521,000; depreciation and amortization of \$9.1 million; a reduction in deferred income taxes of \$3.7 million; bad debt expense of \$1.2 million; impairment charges on certain intangible assets of \$2.4 million; and a net positive change in the components of operating assets and liabilities of \$1.0 million. Of this positive change in operating assets and liabilities, \$4.5 million resulted from a decrease in prepaid expenses and other assets (\$3.9 million decrease in prepaid income taxes; a \$300,000 decrease in other receivables; and a \$300,000 decrease in other prepaid expenses); a \$2.8 million decrease in accrued expenses (a \$2.3 million decrease in accrued management incentive plan payable; and \$500,000 net other accruals); a \$1.0 million increase in accounts receivable; a \$468,000 increase in deferred revenue; and a net \$139,000 decrease in accounts payable and other liabilities.

Cash flows used in investing activities include \$114.9 million of cash used for our second and third quarter acquisitions; and \$4.9 million for purchases of furniture, fixtures, equipment and capitalized web site development costs.

Cash flows used in financing activities includes \$4.4 million of cash used to repurchase 165,000 shares of our common stock, and \$2.0 million in cash proceeds from employee and director stock option exercises.

Our existing cash and cash equivalents may decline in the event of further weakening of the economy or changes in our planned cash outlay. However, based on our current business plan and revenue prospects, we believe that our existing balances together with our anticipated cash flows from operations will be sufficient to meet our working capital and operating resource expenditure requirements for the next twelve months. Also, while we currently have no committed lines of credit, we believe that our banking relationships and good credit should afford us the opportunity to raise sufficient debt in the banking or public markets, if required.

During the year ended December 31, 2007, we generated \$28,299,000 of net cash from operating activities. Our net income of \$20,054,000 was adjusted for the impact of share-based compensation expense of \$11,209,000; excess tax benefits resulting from stock options of \$4,996,000; depreciation and amortization of \$2,731,000; a reduction in deferred income taxes of \$1,583,000; bad debt expense of \$941,000; a \$12,000 loss on disposal of assets; and a net negative change in the components of operating assets and liabilities of \$69,000. Of this negative change in operating assets and liabilities, \$1,482,000 resulted from an increase in accrued expenses (primarily \$1,375,000 acquisition related payments due; and \$107,000 net other accruals); a \$126,000 decrease in prepaid expenses and other assets (primarily prepaid rent); a \$646,000 increase in accounts receivable; a \$543,000 decrease in accounts payable; a \$438,000 decrease in deferred revenue; and a \$50,000 decrease in other liabilities.

Cash flows from investing activities include \$96.8 million in net sales of short-term investments (See Note 1 of Notes to Consolidated Financial Statements); \$28,252,000 of cash used to purchase the assets of NCS (\$27.4 million) and SFC (\$2.3 million), net of cash acquired; and \$760,000 in purchases of furniture, fixtures and equipment.

Cash flows from financing activities include \$10,933,000 in proceeds from the exercise of director and employee stock options; \$4,996,000 in excess tax benefits related to stock options; and \$80,000 in costs associated with our secondary offering of common stock in May 2006 for which invoices were received and paid during the second quarter of 2007.



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**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.

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.

**Item 7A. 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 December 31, 2008, all of our cash equivalents mature in less than three months.

**Exchange Rate Sensitivity**

Our exposure to foreign currency exchange rate fluctuations is minimal to none as we do not have any material revenues denominated in foreign currencies. Additionally, we have not engaged in any derivative or hedging transactions to date.

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**ITEM 8. Financial Statements and Supplementary Data**

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The supplementary financial information required by this Item 8 is included in Item 7 under the caption Quarterly Results of Operations.

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

Bankrate, Inc.

We have audited the accompanying consolidated balance sheets of Bankrate, Inc. (a Florida corporation) as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bankrate, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, effective January 1, 2007, Bankrate, Inc. adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Bankrate, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 13, 2009 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Fort Lauderdale, Florida

March 13, 2009

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Bankrate, Inc.:

We have audited the consolidated statements of income, stockholders' equity and cash flows of Bankrate, Inc. and subsidiaries (the Company or Bankrate) for the year ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations, stockholders' equity and cash flows of Bankrate, Inc. and subsidiaries for the year ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

March 16, 2007

Ft. Lauderdale, Florida

Certified Public Accountants

**Table of Contents****Bankrate, Inc.****Consolidated Balance Sheets****(In thousands, except share and per share data)**

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 46,055	\$ 125,058
Accounts receivable, net of allowance for doubtful accounts of \$1,566 and \$2,290 at December 31, 2008 and 2007, respectively	22,567	19,052
Deferred income taxes, current portion	816	878
Prepaid expenses and other current assets	1,608	5,350
<b>Total current assets</b>	<b>71,046</b>	<b>150,338</b>
Furniture, fixtures and equipment, net of accumulated depreciation and amortization of \$5,302 and \$4,122 at December 31, 2008 and 2007, respectively	2,521	1,802
Deferred income taxes	7,413	3,671
Intangible assets, net of accumulated amortization of \$10,403 and \$4,233 at December 31, 2008 and 2007, respectively	83,347	27,485
Goodwill	101,856	43,720
Other assets	4,567	1,338
<b>Total assets</b>	<b>\$ 270,750</b>	<b>\$ 228,354</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,723	\$ 2,246
Accrued expenses	5,665	8,092
Acquisition earn-outs payable	11,750	
Deferred revenue	1,018	550
Other current liabilities	16	13
<b>Total current liabilities</b>	<b>22,172</b>	<b>10,901</b>
Other liabilities	148	187
<b>Total liabilities</b>	<b>22,320</b>	<b>11,088</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, 10,000,000 shares authorized and undesignated		
Common stock, par value \$.01 per share-100,000,000 shares authorized; 18,816,986 and 18,876,393 shares issued and outstanding at December 31, 2008 and 2007, respectively	188	189
Additional paid-in capital	219,294	205,306
Retained earnings	28,948	11,771
<b>Total stockholders' equity</b>	<b>248,430</b>	<b>217,266</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 270,750</b>	<b>\$ 228,354</b>

*See accompanying notes to consolidated financial statements.*



**Table of Contents****Bankrate, Inc.****Consolidated Statements of Income****(In thousands, except share and per share data)**

	Year Ended December 31,		
	2008	2007	2006
<b>Revenue:</b>			
Online publishing	\$ 158,053	\$ 83,695	\$ 63,971
Print publishing and licensing	8,802	11,897	15,679
<b>Total revenue</b>	<b>166,855</b>	<b>95,592</b>	<b>79,650</b>
<b>Cost of revenue:</b>			
Online publishing	57,905	15,149	11,101
Print publishing and licensing	8,190	10,698	13,846
<b>Total cost of revenue</b>	<b>66,095</b>	<b>25,847</b>	<b>24,947</b>
<b>Gross margin</b>	<b>100,760</b>	<b>69,745</b>	<b>54,703</b>
<b>Operating expenses:</b>			
Sales	9,097	6,384	5,055
Marketing	13,197	8,475	4,836
Product development	7,135	4,656	3,621
General and administrative	26,662	19,853	21,835
Impairment charges	2,433		
Legal settlement			3,000
Depreciation and amortization	9,134	2,731	2,402
	67,658	42,099	40,749
<b>Income from operations</b>	<b>33,102</b>	<b>27,646</b>	<b>13,954</b>
Interest income	1,562	6,688	2,961
<b>Income before income taxes</b>	<b>34,664</b>	<b>34,334</b>	<b>16,915</b>
Income tax expense	15,043	14,280	6,911
<b>Net income</b>	<b>\$ 19,621</b>	<b>\$ 20,054</b>	<b>\$ 10,004</b>
<b>Basic and diluted net income per share:</b>			
Basic	\$ 1.04	\$ 1.09	\$ 0.58
Diluted	\$ 1.01	\$ 1.04	\$ 0.56
Shares used in computing basic net income per share	18,848,125	18,423,414	17,332,632
Shares used in computing diluted net income per share	19,498,209	19,356,039	17,845,754

*See accompanying notes to consolidated financial statements.*





**Table of Contents****Bankrate, Inc.****Consolidated Statements of Stockholders' Equity****(In thousands)**

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
Balances, December 31, 2005	15,858	\$ 159	\$ 70,981	\$ (18,287)	\$ 52,853
Proceeds from sale of common stock, net of offering costs of \$6,101	2,006	20	90,668		90,688
Stock options exercised	361	3	4,849		4,852
Tax benefit-stock options			3,033		3,033
Share-based compensation			8,724		8,724
Net income for the period				10,004	10,004
Balances, December 31, 2006	18,225	182	178,255	(8,283)	170,154
Stock options exercised	651	7	10,926		10,933
Tax benefit-stock options			4,996		4,996
Share-based compensation			11,209		11,209
Offering costs associated with sale of common stock in May 2006			(80)		(80)
Net income for the period					