YELP INC
Form 10-Q
May 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition period from to

Commission file number: 001-35444

YELP INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-1854266
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

140 New Montgomery Street, 9th Floor
San Francisco, CA 94105
(Address of Principal Executive Offices) (Zip Code)

(415) 908-3801
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

As of May 1, 2018, there were 83,657,627 shares of registrant's common stock, par value $0.000001 per share, issued and outstanding.

YELP INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q (the "Quarterly Report") to "Yelp," the "Company," "we," "us" and "our" refer to Yelp Inc. and, where appropriate, its subsidiaries.
Unless the context otherwise indicates, where we refer in this Quarterly Report to our "mobile application" or "mobile app," we refer to all of our applications for mobile-enabled devices; references to our "mobile platform" refer to both our mobile app and the versions of our website that are optimized for mobile-based browsers. Similarly, references to our "website" refer to versions of our website dedicated to both desktop- and mobile-based browsers, as well as the U.S. and international versions of our website.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements that involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “seek,” “should,” “target,” “will expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management, which are in turn based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled “Risk Factors” included under Part II, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

NOTE REGARDING METRICS

We review a number of performance metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. Please see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics” for information on how we define our key metrics. Unless otherwise stated, these metrics do not include metrics from Yelp Reservations, Yelp Nowait, Yelp WiFi, our business owner products or Yelp Eat24, which we sold as of October 10, 2017.

While our metrics are based on what we believe to be reasonable calculations, there are inherent challenges in measuring usage across our large user base. Certain of our performance metrics, including the number of unique devices accessing our mobile app, are tracked with internal company tools, which are not independently verified by any third party and have a number of limitations. For example, our metrics may be affected by mobile applications that automatically contact our servers for regular updates with no discernible user action involved; this activity can cause our system to count the device associated with the app as an app unique device in a given period.

Our metrics that are calculated based on data from third parties — the number of desktop and mobile website unique visitors — are subject to similar limitations. Our third-party providers periodically encounter difficulties in providing accurate data for such metrics as a result of a variety of factors, including human and software errors. In addition, because these traffic metrics are tracked based on unique cookie identifiers, an individual who accesses our website from multiple devices with different cookies may be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single cookie may be counted as a single unique visitor. As a result, the calculations of our unique visitors may not accurately reflect the number of people actually visiting our website. Our measures of traffic and other key metrics may also differ from estimates published by third parties (other than those whose data we use to calculate such metrics) or from similar metrics of our competitors. We are continually seeking to improve our ability to measure these key metrics, and regularly review our processes to assess potential improvements to their accuracy. From time to time, we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
YELP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	March 31, 2018	December 31, 2017 (1)
Assets		
Current assets:		
Cash and cash equivalents	$392,335	$547,850
Short-term marketable securities	422,283	273,366
Accounts receivable (net of allowance for doubtful accounts of $10,135 and $8,602 at March 31, 2018 and December 31, 2017, respectively)	75,533	76,173
Prepaid expenses and other current assets	19,975	15,700
Total current assets	910,126	913,089
Long-term marketable securities	14,898	25,032
Property, equipment and software, net	107,889	103,651
Goodwill	109,420	107,954
Intangibles, net	16,009	16,893
Restricted cash	18,800	18,554
Other non-current assets	41,357	40,428
Total assets	$1,218,499	$1,225,601
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$6,620	$9,033
Accrued liabilities	83,413	73,665
Deferred revenue	3,474	3,469
Total current liabilities	93,507	86,167
Long-term liabilities	32,839	30,737
Total liabilities	126,346	116,904
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, $0.000001 par value, 200,000,000 shares authorized – 83,956,890 shares issued and 83,596,510 shares outstanding at March 31, 2018 and 83,724,916 shares issued and outstanding at December 31, 2017	—	—
Additional paid-in capital	1,059,168	1,038,017
Treasury stock	(15,000)	(46)
Accumulated other comprehensive loss	(6,845)	(8,444)
Retained earnings	54,830	79,170
Total stockholders' equity	1,092,153	1,108,697
Total liabilities and stockholders' equity	$1,218,499	$1,225,601

(1) As of January 1, 2018, the Company adopted Accounting Standards Update 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606"), using the full retrospective method. Accordingly, the Company has recast certain amounts in prior periods presented. See Note 1 below for additional discussion.

See notes to condensed consolidated financial statements.

2

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017[(1)]
Net revenue	$223,074	$198,174
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	14,732	16,914
Sales and marketing	119,641	108,532
Product development	51,493	39,871
General and administrative	32,007	27,166
Depreciation and amortization	10,028	10,151
Restructuring and integration	—	231
Total costs and expenses	227,901	202,865
Loss from operations	(4,827)	(4,691)
Other income, net	2,604	732
Loss before income taxes	(2,223)	(3,959)
Provision for income taxes	(63)	(67)
Net loss attributable to common stockholders	$(2,286)	$(4,026)
Net loss per share attributable to common stockholders		
Basic	$(0.03)	$(0.05)
Diluted	$(0.03)	$(0.05)
Weighted-average shares used to compute net loss per share attributable to common stockholders		
Basic	83,785	79,843
Diluted	83,785	79,843

(1) As of January 1, 2018, the Company adopted ASC 606 using the full retrospective method. Accordingly, the Company has recast certain amounts in the prior period presented. See Note 1 below for additional discussion.

See notes to condensed consolidated financial statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017[1]
Net loss attributable to common stockholders	$(2,286)	$(4,026)
Other comprehensive income:		
Foreign currency translation adjustments	1,569	1,071
Foreign currency adjustments to net income upon liquidation of investment in foreign entities	30	—
Other comprehensive income	1,599	1,071
Comprehensive loss	$(687)	$(2,955)

(1) As of January 1, 2018, the Company adopted ASC 606 using the full retrospective method. Accordingly, the Company has recast certain amounts in the prior period presented. See Note 1 below for additional discussion.

See notes to condensed consolidated financial statements.

4

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017[1]
OPERATING ACTIVITIES:		
Net loss attributable to common stockholders	$(2,286)	$(4,026)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	10,028	10,151
Provision for doubtful accounts and sales returns	8,143	5,901
Stock-based compensation	27,734	24,334
Other adjustments	(913)	253
Changes in operating assets and liabilities:		
Accounts receivable	(6,995)	(4,458)
Prepaid expenses and other assets	(5,074)	(1,653)
Accounts payable, accrued expenses and other liabilities	7,652	10,459
Deferred revenue	7	274
Net cash provided by operating activities	38,296	41,235
INVESTING ACTIVITIES:		
Purchases of marketable securities	(280,893)	(73,971)
Maturities of marketable securities	143,000	68,000
Acquisition of a business, net of cash received	—	(30,833)
Purchases of property, equipment and software	(10,927)	(2,452)
Capitalized website and software development costs	(4,698)	(4,208)
Other investing activities	27	29
Net cash used in investing activities	(153,491)	(43,435)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock for employee stock-based plans	5,682	3,287
Repurchases of common stock	(33,309)	—
Taxes paid related to the net share settlement of equity awards	(12,347)	—
Net cash (used in) provided by financing activities	(39,974)	3,287
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(100)	138
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(155,269)	1,225
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	566,404	289,518
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	$411,135	$290,743
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid (refund received) for income taxes, net	$206	$(107)
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchases of property, equipment and software recorded in accounts payable, accrued expenses and other liabilities	$2,242	$596
Tax liability related to net share settlement of equity awards included in accrued liabilities	1,092	—
Repurchases of common stock recorded in accrued liabilities	3,684	—

(1) As of January 1, 2018, the Company adopted ASC 606 using the full retrospective method. Accordingly, the Company has recast certain amounts in the prior period presented. See Note 1 below for additional discussion. Also as of January 1, 2018, the Company adopted Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Subtopic 230): Restricted Cash," and recast the prior period presented. See Note 1 below for additional

discussion.
See notes to condensed consolidated financial statements.

YELP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS FOR PRESENTATION

Yelp Inc. was incorporated in Delaware on September 3, 2004. Except where specifically noted or the context otherwise requires, the use of terms such as the “Company” and “Yelp” in these Notes to Condensed Consolidated Financial Statements refers to Yelp Inc. and its subsidiaries.

Yelp connects people with great local businesses by bringing “word of mouth” online and providing a platform for businesses and consumers to engage and transact. Yelp’s platform is transforming the way people discover local businesses; every day, millions of consumers visit its website or use its mobile app to find great local businesses to meet their everyday needs. Businesses of all sizes use the Yelp platform to engage with consumers at the critical moment when they are deciding where to spend their money.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018 (the “Annual Report”).

The unaudited condensed consolidated balance sheet as of December 31, 2017 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by GAAP, including certain notes to the financial statements and certain balances which have been restated as a result of the adoption of new accounting pronouncements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as follows:

Revenue from Contracts with Customers—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASC 606”), which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for such goods or services. The Company adopted ASC 606 effective January 1, 2018 using the full retrospective method and, accordingly, has restated each prior reporting period presented. The Company's adoption of ASC 606 resulted in the following adjustments to its previously reported results (in thousands):

	As Previously Reported	Impact of ASC 606 Adoption	As Currently Reported
Income Statement—Three Months Ended March 31, 2017			
Net revenue	$ 197,323	$ 851	$ 198,174
Costs and Expenses:			
Sales and marketing	109,286	(754)	108,532
General and administrative	26,315	851	27,166
Net loss attributable to common stockholders	(4,780)	754	(4,026)
Basic earnings per share	(0.06)	0.01	(0.05)
Diluted earnings per share	(0.06)	0.01	(0.05)
Balance Sheet—As of December 31, 2017			
Allowance for doubtful accounts	7,352	1,250	8,602
Other non-current assets	31,339	9,089	40,428
Retained earnings	70,081	9,089	79,170
Statement of Cash Flows—Three Months Ended March 31, 2017			
Provision for doubtful accounts and sales returns	5,050	851	5,901
Change in accounts receivable	(3,607)	(851)	(4,458)
Change in prepaid expenses and other assets	(899)	(754)	(1,653)

Statement of Cash Flows—In November 2016, FASB issued Accounting Standards Update No. 2016-18, “Statement of Cash Flows (Subtopic 230): Restricted Cash” (“ASU 2016-18”), which requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The Company adopted the standard effective January 1, 2018 and recast the prior reported periods presented. The impact to the change in cash and cash equivalents balance previously reported on the consolidated statement of cash flows is presentation only; changes in restricted cash were previously included within investing activities and are now included in changes to the total cash balance within the condensed consolidated statements of cash flows.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments of a normally recurring nature necessary for the fair presentation of the interim periods presented.

Significant Accounting Policies

Except as set forth below, there have been no material changes to the Company's significant accounting policies from those described in the Annual Report.

Revenue Recognition—The Company generates revenue from its advertising products, transactions and other services. The Company recognizes revenue when all of the following criteria are met: the contract with the customer is identified; the performance obligations in the contract are identified; the transaction price is determined; the transaction price is allocated to the performance obligations in the contract; and revenue is recognized when (or as) the Company satisfies these performance obligations. The Company applies the portfolio practical expedient to account for contracts with customers in each category of revenue.

Revenue is recognized net of any taxes collected from customers, which are remitted to governmental authorities. The Company does not typically refund customers for services once it determines the performance obligations of the contract have been satisfied, but will assess any refund requests from customers and partners on a case by case basis. The Company records an allowance for potential future refunds, which is estimated based on historical trends and recorded as a reduction of net revenue.

Advertising. The Company generates advertising revenue primarily through the display of advertising products on its website and mobile app. These arrangements are evidenced by either written or electronic acceptance of a contract that stipulates the types of advertising to be delivered, the timing and pricing. Performance-based advertising placements are priced on a cost-per-click basis, while impression-based advertising placements are priced on a cost per thousand impressions basis. The Company recognizes revenue from the delivery of performance-based ads and impression-based ads in the period of delivery, in each case net of customer discounts, assuming all other revenue recognition criteria are met. The Company also offers businesses premium features in connection with their business listing pages pursuant to fixed monthly fees, and recognizes revenue from such offerings over the service period, assuming all other revenue recognition criteria are met.

The Company also generates advertising revenue through indirect sales of advertising products, such as through reseller contracts that allow partners to sell Yelp Branded Profiles to their clients and the monetization of remnant advertising inventory through third-party ad networks, and recognizes revenue in the period of delivery, assuming all other revenue recognition criteria are met.

Transactions. The Company generates transactions revenue from revenue-sharing partner contracts, the sale of vouchers through the Company's "Yelp Deals" and "Yelp Gift Certificates" products, and, through October 10, 2017, Yelp Eat24 as a standalone product.

The Company's transactions platform provides consumers with the ability to complete food delivery and other transactions through third parties directly on Yelp. The Company earns a per transaction commission fee pursuant to partnership contracts for acting as an agent for these transactions, which it recognizes on a net basis and includes in revenue upon completion of a transaction, assuming all other revenue recognition criteria is met.

Other Services. The Company generates other services revenue through subscription services contracts, such as sales of monthly subscriptions to its Yelp Reservations, Yelp Nowait and Yelp WiFi Marketing products, licensing contracts for access to Yelp data and other non-advertising, non-transaction partnerships. Subscription revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date the service is made available to customers, assuming all other revenue recognition criteria are met.

Contracts with Multiple Performance Obligations. Contracts with customers can include multiple performance obligations, where revenue is allocated to each performance obligation based on its relative standalone selling price ("SSP"). The Company determines SSP based on the prices of the promised goods or services charged when sold separately to customers, which are determined using contractually stated prices. The various products and services comprising contracts with multiple performance obligations are typically capable of being distinct and accounted for as separate performance obligations.

Estimates and assumptions include determining variable consideration, identifying the nature and timing of satisfaction of performance obligations, and calculating the SSP of performance obligations. The Company allocates revenue to each of the performance obligations included in a contract with multiple performance obligations at the inception of the contract. The Company applies the invoice practical expedient to depict the value transferred to the customer and measure of progress towards completion of its obligations. Because the Company considers contracts month-to-month, variable consideration is resolved at the time of invoicing, which eliminates the use of estimates in determining the transaction price. The Company does not consider the effects of the time value of money as the majority of the Company’s contracts are invoiced on a monthly basis, one month in arrears.

Accounts Receivable, Net, and Payment Terms—The timing of revenue recognition may differ from the timing of invoicing to customers. The Company records an accounts receivable balance when revenue is recognized prior to or at the time of invoicing the customer. Payment terms and conditions vary by contract type and the service being provided. For advertising services, the Company typically invoices customers on a monthly basis, one month in arrears, and payment is collected either at the end of each billing period or up to 30 days after the end of the billing period. For transaction services, the Company's commission fee on each transaction is collected either at the time of the transaction, or up to 30 days after the end of the billing period. For subscription services, the Company typically invoices one month in advance, and payment is collected at the beginning of each billing period.

Allowance for Doubtful Accounts—The Company maintains an allowance for doubtful accounts receivable. The allowance reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. It is based upon historical experience and loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts and known delinquent accounts. When new information becomes available that allows the Company to more accurately estimate the allowance, it makes an adjustment, which is considered a change in accounting estimate. The carrying value of accounts receivable approximates their fair value.

Deferred Contract Costs—ASC 606 also modified Subtopic Accounting Standards Codification 340-40, "Other Assets and Deferred Costs—Contracts with Customers," which requires the Company to recognize a deferred cost asset for the incremental costs of obtaining a contract with a customer. The Company classifies certain sales incentive compensation costs as incremental to obtaining the related contract. These costs are capitalized in the period in which they are incurred and amortized on a straight-line basis over the expected customer life of the associated contract. The Company determined to use the straight line basis as the expected benefit will be realized uniformly over the amortization period.The amortization periods for contract costs, which extend up to 41 months, were calculated based on both qualitative and quantitative factors, including product lifecycle attributes and customer retention using historical data. For contract costs with amortization periods of 12 months or less, the Company applies a practical expedient to expense such costs as incurred. The Company assesses deferred contract costs for impairment on a quarterly basis. Amortized contract costs are recorded within sales and marketing expense on the consolidated statements of operations. Deferred contract costs are included within other non-current assets on the Company's consolidated balance sheets (see Note 8).

Deferred Revenue—The Company records deferred revenue when it has received consideration, or has the right to receive consideration, in advance of the transfer of the performance obligations of the contract to the customer.

Recent Accounting Pronouncements Not Yet Effective

In February 2016, FASB issued Accounting Standards Update No. 2016-02, “Leases” (“ASU 2016-02”). The new guidance generally requires an entity to recognize on its balance sheet operating and financing lease liabilities and corresponding right-of-use assets, as well as to recognize the expenses on its statements of operations in a manner similar to that required under current accounting rules. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The new standard requires a modified retrospective transition for existing leases to each prior reporting period presented. Although the Company is in the process of evaluating the impact of adoption of ASU 2016-02 on its consolidated financial statements, the Company currently expects the most significant changes will be related to the recognition of new right-of-use assets and lease liabilities on the Company's consolidated balance sheet for real estate operating leases.

In January 2017, FASB issued Accounting Standards Update No. 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). This new guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Entities will now perform goodwill impairment tests by comparing fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact and timing of the adoption of ASU 2017-04, but expects that it will not have a material impact on its consolidated financial statements.

In March 2017, FASB issued Accounting Standards Update No. 2017-08, “Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities” (“ASU 2017-08”). This new guidance requires entities to amortize purchased callable debt securities held at a premium to the earliest call date. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The Company does not expect the adoption of ASU 2017-08 to have a material impact on its consolidated financial statements.

Principles of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of the Company’s unaudited interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management’s estimates.

2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash as of March 31, 2018 and December 31, 2017 consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Cash	$163,440	$283,085
Cash equivalents	228,895	264,765
Total cash and cash equivalents	$392,335	$547,850
Restricted cash	$18,800	$18,554
Total cash, cash equivalents and restricted cash	$411,135	