

ZIPCAR INC
Form 10-Q
August 05, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

Commission File Number: 001-35131

ZIPCAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: ZIPCAR INC - Form 10-Q

Delaware
(State or Other Jurisdiction of

04-3499525
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

25 First Street, 4th Floor, Cambridge, MA
(Address of Principal Executive Offices)

02141
(Zip Code)

(617) 995-4231

(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 checkmark 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 during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes No .

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

Smaller reporting company

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

As of August 3, 2011, 39,036,896 shares of the registrant's common stock were outstanding.

Table of Contents

ZIPCAR, Inc.

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<i><u>Item 1.</u></i> <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2011, and December 31, 2010</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended June 30, 2011 and 2010 and the six months ended June 30, 2011 and 2010</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<i><u>Item 2.</u></i> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<i><u>Item 3.</u></i> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<i><u>Item 4.</u></i> <u>Controls and Procedures</u>	30
<u>PART II. OTHER INFORMATION</u>	
<i><u>Item 1.</u></i> <u>Legal Proceedings</u>	30
<i><u>Item 1A.</u></i> <u>Risk Factors</u>	31
<i><u>Item 2.</u></i> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
<i><u>Item 6.</u></i> <u>Exhibits</u>	46
<u>Signatures</u>	47

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Zipcar, Inc.**Condensed Consolidated Balance Sheets****(Unaudited)**

	June 30, 2011	December 31, 2010
(in thousands, except share and per share data)		
Assets		
Current assets		
Cash and cash equivalents	\$ 91,002	\$ 43,005
Accounts receivable, net of allowance for doubtful accounts of \$596 and \$541 as of June 30, 2011 and December 31, 2010, respectively	4,910	4,223
Restricted cash	3,380	900
Prepaid expenses and other current assets	11,768	9,905
Total current assets	111,060	58,033
Property and equipment, net	98,817	70,917
Goodwill	101,808	99,750
Intangible assets	6,755	8,527
Restricted cash	6,969	3,503
Deposits and other noncurrent assets	7,865	8,198
Total assets	\$ 333,274	\$ 248,928
Liabilities, Redeemable Convertible Preferred Stock and Stockholders Equity (Deficit)		
Current liabilities		
Accounts payable	\$ 8,706	\$ 6,247
Accrued expenses	18,054	16,594
Deferred revenue	16,275	14,261
Current portion of capital lease obligations and other debt	13,594	26,041
Total current liabilities	56,629	63,143
Capital lease obligations and other debt, net of current portion	55,748	68,022
Deferred revenue, net of current portion	3,895	3,651
Redeemable convertible preferred stock warrants		478
Other liabilities	2,371	1,975
Total liabilities	118,643	137,269
Commitments and contingencies (Note 8)		
Non-controlling interest	481	277
Redeemable convertible preferred stock, par value \$0.001 per share:		116,683
Stockholders' equity (deficit):		
Common stock, \$0.001 par value: 500,000,000 and 100,000,000 shares authorized at June 30, 2011 and December 31, 2010, respectively; 39,015,257 and 6,415,436 shares issued at June 30, 2011 and December 31, 2010, respectively	39	6
Additional paid-in capital	288,804	59,647

Edgar Filing: ZIPCAR INC - Form 10-Q

Accumulated deficit	(77,260)	(65,380)
Accumulated other comprehensive gain	2,567	426
Total stockholders' equity (deficit)	214,150	(5,301)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 333,274	\$ 248,928

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

Table of Contents**Zipcar, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)**

(in thousands, except share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 61,559	\$ 45,962	\$ 110,692	\$ 79,206
Cost and expenses				
Fleet operations	40,525	30,269	75,491	55,163
Member services and fulfillment	5,067	3,875	9,138	6,545
Research and development	1,010	799	1,972	1,470
Selling, general, and administrative	14,723	13,008	27,410	22,445
Amortization of acquired intangible assets	994	905	2,067	1,102
Total operating expenses	62,319	48,856	116,078	86,725
Loss from operations	(760)	(2,894)	(5,386)	(7,519)
Interest income	11	10	20	22
Interest expense	(4,530)	(2,415)	(6,985)	(3,220)
Other income (expense), net	(273)	128	714	254
Loss before income taxes	(5,552)	(5,171)	(11,637)	(10,463)
Provision for income taxes	23	62	40	98
Net loss	(5,575)	(5,233)	(11,677)	(10,561)
Less: Net loss attributable to redeemable noncontrolling interest	7	4	12	12
Net loss attributable to Zipcar, Inc.	\$ (5,568)	\$ (5,229)	\$ (11,665)	\$ (10,549)
Net loss attributable to common stockholders per share - basic and diluted	\$ (0.17)	\$ (0.95)	\$ (0.60)	\$ (2.72)
Weighted average number of common shares outstanding used in computing per share amounts - basic and diluted	32,422,508	5,481,265	19,500,504	3,872,821

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

Table of Contents**Zipcar, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Six Months Ended June 30,	
	2011	2010
(in thousands)		
Cash flows from operating activities		
Net loss	\$ (11,677)	\$ (10,561)
Adjustments to reconcile net loss to net cash provided by operating activities, net of acquisition		
Depreciation and amortization	13,322	4,064
Amortization & accretion of debt related warrants	926	959
Stock-based compensation expense	1,954	1,237
Loss (gain) on disposal of fixed assets	1,756	(176)
Redeemable convertible preferred stock warrant adjustment to fair value	724	19
Changes in operating assets and liabilities		
Accounts receivable	(631)	(808)
Prepaid expenses and other assets	(2,465)	(2,430)
Accounts payable	2,386	2,305
Accrued expenses	1,256	4,801
Deferred revenue	2,154	1,731
Net cash provided by operating activities, net of acquisition	9,705	1,141
Cash flows from investing activities		
(Increase) in deposits	(101)	(273)
(Increase) decrease in restricted cash	(5,947)	1,370
Cash acquired in business combination, net of transaction costs		(7,732)
Proceeds from sale of property and equipment	5,858	3,557
Purchases of property and equipment	(38,316)	(10,619)
Net cash (used in) investing activities	(38,506)	(13,697)
Cash flows from financing activities		
Proceeds from issuance of debt, net of debt issuance costs	25,683	31,156
Proceeds from exercise of stock options and warrants	791	125
Proceeds from issuance of restricted stock	2,500	
Proceeds from issuance of common stock in connection with initial public offering, net of issuance costs of \$1,881	109,719	
Payments of principal under notes payable, capital lease obligations and other debt	(61,754)	(7,216)
Net cash provided by financing activities	76,939	24,065
	&nbsp;	