

Bankrate, Inc.
Form 10-K
February 27, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
OR

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

Commission File No. 1-35206

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
11760 U.S. Highway One, Suite 200

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

North Palm Beach, Florida
(Address of principal executive offices)

33408
(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
---------------------	---

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

Common Stock, \$0.01 Par Value New York Stock Exchange

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

Table of Contents

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 of 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 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

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$590,348,848 (based on a closing price of \$14.36 per share for the registrant's common stock on the New York Stock Exchange on June 30, 2013).

The number of outstanding shares of the issuer's common stock as of February 1, 2014 was as follows: 101,690,206 shares of Common Stock, \$.01 par value.

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the 2014 annual meeting of shareholders is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

3

Table of Contents

Table of Contents

Bankrate, Inc. and Subsidiaries

Annual Report on Form 10-K for the Year Ended December 31, 2013

<u>PART I.</u>	7
<u>Item 1. Business</u>	7
<u>Item 1A. Risk Factors</u>	16
<u>Item 1B. Unresolved Staff Comments</u>	29
<u>Item 2. Properties</u>	29
<u>Item 3. Legal Proceedings</u>	29
<u>Item 4. Mine Safety Disclosures</u>	29
<u>PART II.</u>	30
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	30
<u>Item 6. Selected Financial Data</u>	32
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	34
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 8. Financial Statements and Supplementary Data</u>	50
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	83
<u>Item 9A. Controls and Procedures</u>	83
<u>Item 9B. Other Information</u>	83
<u>PART III.</u>	84
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	84
<u>Item 11. Executive Compensation</u>	84
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	84
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	84
<u>Item 14. Principal Accountant Fees and Services</u>	84
<u>PART IV.</u>	84
<u>Item 15. Exhibits and Financial Statement Schedules</u>	84
<u>Signatures</u>	85
<u>Exhibits</u>	86

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

- the willingness of our advertisers to advertise on our websites or mobile applications;
- increased competition and its effect on our website traffic, advertising rates, margins, and market share;
- our dependence on internet search engines to attract a significant portion of the visitors to our websites;
- the number of consumers seeking information about the financial products we have on our websites or mobile applications;
- interest rate volatility;
- technological changes;
- our ability to manage traffic on our websites or mobile applications, and service interruptions;
- our ability to maintain and develop our brands and content;
- the fluctuations of our results of operations from period to period;
- our indebtedness and the effect such indebtedness may have on our business;
- our need and our ability to incur additional debt or equity financing;
- our ability to integrate the operations and realize the expected benefits of businesses that we have acquired and may acquire in the future;
- the effect of unexpected liabilities we assume from our acquisitions;
- changes in application approval rates by our credit card issuer customers;
- our ability to successfully execute on our strategy, including without limitation our insurance quality initiative and our mobile strategy, and the effectiveness of our strategy;
- our ability to attract and retain executive officers and personnel;
- the impact of and defense of resolution of lawsuits to which we are a party;
- our ability to protect our intellectual property;
- the effects of facing liability for content on our websites or mobile applications;
- our ability to establish and maintain distribution arrangements;
- our ability to maintain good working relationships with our customers and third-party providers and to continue to attract new customers;

Table of Contents

- the effect of our expansion of operations in the United Kingdom and China and possible expansion to other international markets, in which we may have limited experience;
- the willingness of consumers to accept the Internet and our online network as a medium for obtaining financial product information;
- the strength of the U.S. economy in general and the financial services industry in particular;
- changes in monetary and fiscal policies of the U.S. Government;
- changes in consumer spending and saving habits;
- review of our business and operations by regulatory authorities;
- changes in the legal and regulatory environment;
- changes in accounting principles, policies, practices or guidelines; and
- ability to manage the risks involved in the foregoing.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Annual Report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I.

Item 1. Business

Overview

Bankrate, Inc. and subsidiaries (“Bankrate” or the “Company,” “we,” “us,” “our”) is a leading publisher, aggregator and distributor of personal finance content on the Internet. We provide consumers with proprietary, fully researched, comprehensive, independent and objective personal finance editorial content across multiple vertical categories including mortgages, deposits, insurance, credit cards, and other categories, such as retirement, automobile loans, and taxes. We also aggregate rate information from over 4,800 institutions on more than 300 financial products. With coverage of more than 600 local markets in all 50 U.S. states, we generate approximately 180,000 distinct rate tables capturing on average over three million pieces of information weekly. Our comprehensive offering of personal finance content and product research has positioned us as a recognized personal finance authority with over 280,000 attributable media mentions or interviews in 2013, including numerous television features on major networks. Our online network, which consists of Bankrate.com, our flagship website, and our other owned and operated personal finance websites, had over 250 million visits in 2013. In addition, we distribute our content on a daily basis to over 175 major online partners and print publications, including some of the most recognized brands in the world.

Our business benefits from the secular shift toward consumer use of the Internet to research and shop for personal finance products. The Internet’s unique aggregation capabilities allow consumers to access and research vast amounts of information to efficiently compare prices and enable an informed purchase decision. We believe this is driving consumers to increasingly research and apply online for personal finance products and shift away from more traditional buying patterns. We stand to benefit from this major secular shift as a result of our leading position in the personal finance services markets driven by our strong brands, proprietary and aggregated content, breadth and depth of personal finance products, broad distribution, leading position in algorithmic search results and monetization capabilities.

Founded as a print-based financial and market data research business, Bankrate began moving online in 1996. Since 2004, we have strategically broadened and diversified our product, content and consumer offerings through internal development activities and acquisitions. We now offer:

- branded content that educates consumers and financial professionals on a variety of personal finance topics;
- a market leading platform for consumers searching for competitive rates on mortgages, deposits, and money market accounts;
- competitive quotes to consumers for auto, business, home, life, health and long-term care insurance from our leading network of insurance agents and carriers; and
- comparative credit card offers to customers for consumer and business credit cards in the United States, Canada and the United Kingdom through our leading network of credit card websites.

Our unique content and rate information is distributed through three main sources: our owned and operated websites, online co-brands, and print partners. We own a network of content-rich, proprietary websites focused on specific vertical categories, including mortgages, deposits, insurance, credit cards and other personal finance categories. We also develop and provide web services to over 100 co-branded partners, including some of the most trusted and frequently visited personal finance sites on the Internet including Yahoo!, CNN Money, CNBC and Comcast. In addition, we license editorial content to over 100 newspapers on a daily basis, including The Wall Street Journal, USA Today, The New York Times, The Los Angeles Times and The Boston Globe. Our primary sources of revenue are display advertising, performance-based advertising and lead generation. During the year ended December 31, 2013,

we generated revenue of \$457.4 million, a net loss of \$10.0 million, Adjusted EBITDA of \$121.9 million, and cash provided by operating activities of \$105.3 million. During the year ended December 31, 2012, we generated revenue of \$457.2 million, net income of \$29.3 million, Adjusted EBITDA of \$123.1 million, and cash flow from operating activities of \$77.3 million. See “Selected Financial Data” for a reconciliation of Adjusted EBITDA to net income.

7

Table of Contents

Company Developments

Acquisitions

Since 2010, we have executed several acquisitions, including two important acquisitions of NetQuote Holdings, Inc. (“NetQuote”) and CreditCards.com, Inc. (“CreditCards”) enabling us to strengthen our offering to both advertisers seeking high quality leads and consumers who are looking for a comprehensive suite of financial products. These acquisitions have strengthened our position through increased selection of products and increased scale of our audience resulting in greater appeal to personal financial services partners and greater spending per partner.

Initial Public Offering

In August 2009, the predecessor to the Company was acquired by Ben Holding S.à r.l., (the “Bankrate Acquisition”) an entity wholly owned by Apax VII Funds which are advised by Apax Partners L.P. and Apax Partners LLP. In June 2011, the Company sold, at a price of \$15.00 per share, 12,500,000 shares of common stock, and certain stockholders of the Company sold 10,494,455 shares of common stock, including 2,994,455 shares sold by certain of its existing stockholders upon the exercise of the underwriters’ option to purchase additional shares (“Initial Public Offering”). We raised a total of \$170.3 million after deducting underwriting discounts of \$11.3 million and offering costs of \$5.9 million. We used approximately \$123.0 million of the net proceeds from the Initial Public Offering to pay down debt and related accrued interest and for other general corporate purposes, including financing our growth. The offer and sale of all of the shares in the Initial Public Offering for an aggregate offering price of \$345.0 million were registered under the Securities Act.

Secondary Offering

In December 2011, certain of the Company’s existing stockholders sold 14,375,000 shares of common stock at a public offering price of \$17.50 per share, including 1,875,000 shares sold upon the exercise of the underwriters' option to purchase additional shares (“Secondary Offering”). The Company did not receive any of the proceeds from the sale of the shares in the Secondary Offering. The offer and sale of all of the shares in the Secondary Offering were registered under the Securities Act.

Industry

The Internet has evolved into one of the most effective and comprehensive sources for personal finance content. Traditionally, consumers used sources of information such as word-of-mouth, referrals, newspapers, mortgage guides, insurance brokers and agents to research and address their financial needs. However, these approaches are often time consuming, error prone, and not transparent. Widespread access to the Internet and availability of content and the benefits associated with shopping and researching online has allowed consumers to increasingly rely on the Internet for their financial shopping needs. Using the Internet, consumers can search for and compare financial products and services across multiple sites and choose the right alternative for them. According to an industry study, over 60% of financial services consumers conducted research online and 37% of consumers who conducted research online also applied for a financial product online.

Companies have expanded their online marketing efforts to reach this large and growing online audience cost-effectively. As website traffic grows, online advertising continues to grow as a share of overall advertising. This secular shift is seen as ZenithOptimedia noted that internet advertising is the fastest growing advertising medium with forecasted annual average growth of 15% from 2014 to 2016. ZenithOptimedia also estimates that internet advertising

will increase its share of the ad market from 20.6% in 2013 to 26.6% in 2016. Further, ZenithOptimedia notes the main driver of global ad spend growth is mobile and estimates that mobile will contribute 36% of the extra ad spend between 2013 and 2016. We believe our business will continue to benefit as the percentage of advertising dollars spent online increases to reflect the greater amount of media consumed online. We also believe that our business is positioned to take advantage of the increased mobile ad market.

Our Solution

We provide consumers and institutions with a comprehensive personal finance marketplace through our leading content-rich flagship website, Bankrate.com, and our other branded personal finance destination websites. We allow consumers to shop for a wide variety of financial products and services online, including mortgages, deposit accounts, insurance products and credit cards. We offer fully researched, independent and objective financial content to our consumers through an easy-to-use desktop and mobile web interface. We offer our advertisers access to a high quality ready-to-transact visitor base. We understand the importance of critical financial

8

Table of Contents

decisions and have designed our solutions to provide relevant information, content and advice to consumers to help them make the right decisions more efficiently and conveniently.

Our brand and the scale and quality of our content have helped us attract increasing numbers of ready-to-transact consumers over the years. As more consumers visited and researched personal finance products on our websites, more financial institutions listed their products and services with us. The combination of more consumers seeking personal finance products online and more companies providing more products and services increases the quality, depth and breadth of our offerings and attracts even more consumers, advertisers and institutions as a result. Additionally, the prominence of our brands, the quality of our content, the engineering architecture of our site, and many other factors that drive relevance have generally resulted in prominent placement in financial services search results for the leading search engines. This increased distribution via algorithmic search provides additional traffic to our website, again further attracting more partners and resulting in increased selection of personal finance products and more content. This virtuous cycle has enabled us to reinforce our leadership position and achieve a loyal advertiser and consumer base.

Our Strengths

Market Leader for Personal Finance Content. We are a market leading publisher, aggregator, and distributor of personal finance content on the Internet. We believe our leading position will continue to enable us to take advantage of the secular shift to the Internet as a source of personal finance solutions.

Leading Consumer Brands. We have built strong, recognizable and highly trusted brands over our long history. We believe this is an important competitive differentiator. Furthermore, the strength of our brand has permitted us to be a partner of choice for other leading personal finance content providers.

High Quality, Proprietary Content. We provide consumers with proprietary, fully researched, comprehensive, independent and objective personal finance content, data and tools. Our editorial staff of more than 150 consisting of editors, reporters, freelancers and expert columnists delivers “best in class” content and provides news and advice through over 175 new articles per week on top of approximately 70,000 stories in our database. We also aggregate rate information from over 4,800 institutions and have broadened the focus to more than 300 financial products in more than 600 local markets. In addition, we generate approximately 180,000 distinct rate tables capturing on average over three million pieces of information on a weekly basis.

Significant Selection, Breadth and Depth of Offering. Bankrate provides both a broad range of personal finance services products across numerous vertical categories including mortgages, deposits, insurance, credit cards, and other personal finance categories, including retirement, automobile loans, and taxes, as well as great depth of selection in each category. Our selection both across and within these categories is a key differentiator in the value proposition to personal financial service shoppers.

Superior Distribution Platforms. Our unique content and rate information is distributed through three main sources: owned and operated websites, online co-brands, and print partners. This distribution network enables us to drive large amounts of high quality traffic to our network while increasing our brand awareness in an extremely cost-effective way.

Diverse Monetization Opportunities and Strong Cash Flow. Our primary sources of revenue are display advertising, performance-based advertising and lead generation. The multiple ways to monetize a given page view or unique visitor to our site, combined with a highly scalable infrastructure and low capital expenditure or working capital

needs, results in strong cash flow conversion.

Strong, Experienced Management Team. Our management team has an in-depth understanding of the online media and personal finance industries as well as extensive experience growing companies' profitability, both organically and through acquisitions.

Our Growth Strategy

We believe that the personal finance sector contains significant opportunities for growth. Elements of our strategy include:

Maintaining Leadership as a Trusted and Authoritative Source for Personal Finance Content. We are focused on maintaining our position as a leading destination platform for personal finance information. We intend to continuously enhance the consumer experience and engagement on our websites to help us maintain this leadership position. One of the primary ways that we seek to differentiate ourselves is through the quality, breadth and depth of our financial content and data. As consumers increase their usage of the Internet as a tool for personal finance needs, we intend to maintain and improve our position in online comparative research for mortgages, deposit products, insurance and credit cards and potentially in additional vertical personal finance markets.

Table of Contents

Increasing Traffic to Our Network. We believe our unique and differentiated content offering, the strength of our brands and our marketing efforts will allow us to drive substantial traffic to our online network. We intend to continue to focus on efforts that explicitly drive traffic to our websites including search engine optimization, public relations, print partnerships, increasing the size of our co-brand partner network, and paid search efforts.

Continuing to Increase Monetization of Our Traffic. By advertising on our online network, banks, brokers, insurance agents and carriers, credit card issuers and other advertisers are accessing targeted, quality consumers poised to engage in a high-value transaction. By allowing advertisers to efficiently access these “in-market” consumers, we are ultimately creating a transaction that is beneficial for the advertiser, the consumer and us. As we continue to improve customer engagement and drive traffic to our online network to reach a greater number of users, we expect to strengthen our relationships with existing advertisers and build new relationships with potential advertisers. We intend to continuously enhance our product offering and targeting capabilities to advertisers to ensure we are increasing our monetization of content and traffic.

Developing New Products that Increase the Quality of Our Offering to Consumers, Advertisers and Partners. By enhancing and expanding our product set, we seek to maintain our industry leadership. The key goals of all of our product development efforts are to satisfy consumers, drive traffic, increase monetization and increase affiliate and partner opportunities. Examples of some areas that our product development team is currently focused on include enhancing site infrastructure for ongoing optimization and improving site design for increased engagement, creating new tools to enhance offerings of our affiliates and partners’ apps and mobile platforms, initiatives to enhance end-to-end mobile experience and initiatives to broaden our consumer relationships from being mission oriented to an ongoing relationship anticipating consumer needs. By enhancing and expanding our product offering, we expect to be able to maintain our industry leadership.

Pursuing Additional Strategic Acquisitions. Acquiring companies continues to be a strategic focus for us. We believe our industry relationships allow us to identify specialized companies that are attractive acquisition candidates. Over the past three years, we have made various acquisitions, including certain assets of Trouvé Media, Inc. (“Trouve Media”) and InsWeb Corporation (“InsWeb”). We intend to continue to pursue strategic growth opportunities that complement our online network to cost-effectively gain market share, expand into additional vertical categories and strengthen our content portfolio.

Continuing the progression of our insurance lead business to a higher conversion model with commensurate monetization. We have seen that substantial value in the insurance business is unlocked by pursuing a model whereby higher monetization is driven by higher converting lead and click products, as has been demonstrated in the credit card and banking vertical categories. Although the insurance model has historically been based on legacy relationships featuring high volumes and lower fixed pricing with little or no direct relation to conversion, we have stepped up as a leader in this industry and moved to change this trend. We have seen success as many customers have increased their demand and their spend over the past year given the higher performing traffic that we delivered, which in turn has allowed us to achieve higher monetization per lead sold. Therefore, our monetization increases as quality improves. We continue to identify quality partners, in addition to growing direct traffic, to provide higher converting traffic to our customers. We have made sizable investments in our technology by utilizing carrier feedback, third-party verification sources, and our proprietary machine learning processes to predict high consumer intent and deliver accordingly. This strategy has provided us the foundation to distribute more valuable leads leading to agent customer growth, increased spend, and increased participation which in turn leads to greater monetization. The strategy also provides for the launch of new products which will enhance the consumer experience on our sites and will strengthen our position as an industry leader all resulting in increased monetization through carrier and agent demand for our click, lead, and aggregation products.

Our Products and Services

Consumers

As a leading provider of personal finance content, we offer our consumers deep and broad market leading information, analytics and advice across multiple categories of personal finance including: (i) mortgages and home lending, (ii) deposits, (iii) insurance, (iv) credit cards, and (v) other financial products, including those related to retirement, tax, autos, and debt management.

We aggregate rate information from over 4,800 institutions on more than 300 financial products in more than 600 local markets in all 50 U.S. states, generating approximately 180,000 distinct rate tables and capturing on average over three million pieces of information weekly. In addition, we offer customizable search and compare capabilities, as well as analytic tools to calculate value and costs. We believe our comprehensive marketplace of real-time, easily accessible, and relevant information equips consumers with the right tools to make informed personal finance decisions.

Table of Contents

- **Mortgages and Home Lending.** We offer information on rates for various types of mortgages, home lending and refinancing options. Our rate information is specific to geographic location and contains more than 600 local markets, covering all 50 U.S. states. Consumers can customize searches for mortgage rates by loan size, maturity, and location through our online portals. We also provide original articles that cover topics such as trends in housing markets and refinancing perspectives to help consumers with their decision making.
- **Deposits.** We offer rate information on various deposit products such as money market accounts, savings accounts and certificates of deposit. We also provide online analytic tools to help consumers calculate investment value using customized inputs.
- **Insurance.** In conjunction with our network of local agents and national insurance carriers, we facilitate a consumer's ability to receive multiple competitive insurance quotes for auto, business, health, home, life, or long-term care based on a single information form. We also provide advice and detailed descriptions of insurance terms, aiding consumers in deciding amongst various policy options. Insurance quotes can be customized by age, marital status and location. In addition, we provide articles on topical subjects such as recent healthcare reforms, as well as the basics to understanding an insurance policy.
- **Credit Cards.** We present a comprehensive selection of consumer and business credit and prepaid cards for visitors. We provide detailed credit card information and comparison capabilities, and allow consumers to search for cards that cater to their specific needs. We display cards by bank or issuer, credit quality, reward program, or card limit. We further host news and advice on credit card debt and bank policies, as well as tools to estimate credit score and credit card fees.
- **Other Personal Finance Products.** We offer information on retirement, taxes, auto, and debt management. Relevant content provided on such topics include 401(k), Social Security, tax deductions and exemptions, auto loans, debt consolidation, and credit risk.

We operate a select group of content-rich, branded personal finance destination websites including, but not limited to, Bankrate.com, Interest.com, Bankaholic.com, Bargainengineering.com, NetQuote.com, InsuranceQuotes.com, and CarInsuranceQuotes.com.

Advertisers

We believe advertisers appreciate our value proposition as one of the leading personal finance content providers. Our relevant and proprietary content attracts consumers that are actively searching for personal finance products, allowing advertisers to effectively reach their target customer base. Our trusted reputation as an objective provider of reliable information further drives traffic and establishes a credible platform for advertisers to list their offers. We offer advertisers an attractive display advertisement platform, high quality leads and hyperlinks, all of which have resulted in the continued growth of our advertiser relationships.

Leads. We provide leads in the mortgage, credit card and insurance vertical categories. We sell leads to insurance agents, insurance carriers, credit card issuers and mortgage lenders. Our leading credit card comparison marketplace is one of the largest third party online application sources for major issuers. We charge our advertisers on a per-lead basis based on the total number of leads generated for insurance and mortgage products, and on a per-action basis for credit cards (i.e., upon approval or completion of an application). Leads are generated not only direct through the Bankrate network of websites but also through the various affiliate networks, via co-brands, and through marketing initiatives.

Clicks and Calls. Advertisers that are listed in our rate tables have the opportunity to hyperlink their listings or provide a phone number. Additionally, advertisers can buy hyperlinked placement within our qualified insurance listings. By clicking on the hyperlink, users are taken to the advertiser's website. We typically sell our hyperlinks on a per-click pricing model. Under this arrangement, advertisers pay Bankrate a specific, pre-determined price each time a

consumer clicks on that advertiser's hyperlink or calls the phone number (usually found under the advertiser's name in the rate or insurance table listings). All clicks are screened for fraudulent characteristics by either an independent third party vendor (for our mortgage and deposit products) or internally (for our insurance products) and then charged to the customer's account.

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

11

Table of Contents

Sales Strategy

Bankrate has sales personnel serving our national, regional and local advertising customers. We also have sales teams that are dedicated to specific vertical categories and customer groups, giving them greater expertise in designing solutions for our advertisers. For example we have separate sales teams trained and dedicated to serving insurance agents, credit card issuers, insurance carriers, local, regional and national banks, and local mortgage companies.

Our selling strategy focuses on leveraging our core strengths in a flexible manner to respond to our customer's specific requirements. For example, in working with a large branded bank, we may feature a branded cost-per-thousand-impressions-based display campaign if the advertiser plans to compete primarily on brand and visibility on our sites. A different advertiser may be focused on competing directly on the basis of superior rates and therefore a rate table cost-per-click or cost-per-call approach may be more beneficial than a cost-per-lead model. Many insurance carrier customers are seeking to intercept a consumer directly on brand as they are searching comparatively for products—our insurance cost-per-click product is focused on serving this market. Other advertisers may be interested in maximizing conversion and achieving a specific return on investment, and given the conversion rates of our traffic, a per-action or per-click solution may be the most appropriate in such a case. This array of advertising options and ability to tailor a campaign to our advertiser's needs results in more revenue for us, better information for our consumers and superior consumer traffic and conversions for our customers.

We have the capability to execute on this selling strategy not only because of our wide variety of product monetization options (per-thousand-impressions, per-click, per-action and per-lead), but also because we have highly developed direct relationships with our customers. We work directly with top branded banks, mortgage, insurance and credit card issuers. Bankrate's sales team is very knowledgeable about our advertisers' products and is viewed as partners by our advertisers, thus allowing for a close relationship where we can offer solutions that satisfy our advertisers' needs.

We attract our consumer audience by offering comprehensive and objective comparisons based on rates, selection, features, brand, flexibility and other key attributes, as well as content to educate our consumers on these matters. Our platform is compelling for our advertisers for several reasons including:

- Our advertisers vigorously compete head to head for our products. Being absent would place them at a competitive disadvantage in the marketplace for our consumers.
- Bankrate's platform is a specific, highly contextual destination for higher end demographic consumers who are generally "ready to transact." Leads and click-throughs therefore have a high conversion rate for our advertisers.
- Historically, Bankrate consumers generally have been of the highest credit and financial quality and are predominately "Prime" in terms of their personal finance profile.
- Bankrate's platform is a leading generator of highly targeted contextual consumer traffic seeking mortgage, deposit, insurance and credit card products and therefore we have provided a constant and reliable flow of prospects for our advertisers.

Marketing

Bankrate has been able to establish itself as one the most recognizable brands within the personal finance market. The strength of our brands lead to many of our visitors coming to our websites by directly typing our Internet address in a URL or via unpaid search. Another critical factor in attracting visitors to our websites is how prominently we are displayed in response to search queries regarding vertical categories in which we operate. Bankrate's home page and other key pages of our online network routinely rank at or near the top of major search engines' organic search results for highly searched key words and phrases related to personal finance products. The high rankings are largely a result of our success at creating highly relevant, authoritative, widely read and distributed content.

Our traffic in 2013 was also driven through more than 100 co-brand partners, including Move.com, Yahoo!, CNN Money, CNBC and Comcast. Our partners place our content and rate tables on co-branded pages within their sites and we sell the advertisements on these pages and share the advertising revenues with the partner. We benefit from these relationships as these pages reach traffic that would not otherwise be generated from our website.

In addition to our online relationships, our proprietary content and interest rate information appears in premier print newspapers and magazines on a daily basis. This practice continues to reinforce our brand ubiquity and image. We currently partner with over 450 newspapers, including The Wall Street Journal, The New York Times and USA Today. While these distribution partners contribute

12

Table of Contents

significantly less to our revenue than our online relationships, the exposure contributes to our traffic brand awareness and credibility among consumers.

We also actively conduct media public relations campaigns to promote our editorial content and personnel to the consumer and trade media. 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. In 2013, we received over 230,000 media mentions (including syndication) of our flagship Bankrate.com website. The Company was referenced in more than 60,000 print articles by outlets such as The New York Times, The Wall Street Journal, USA Today and the Associated Press. Television and radio coverage (more than 170,000 mentions in all) included The Today Show (NBC), CBS This Morning (CBS), World News with Diane Sawyer (ABC), CNBC, CNN, Fox Business Network, National Public Radio and many others. In addition, we received over 50,000 media mentions (including syndication) of our other websites.

Customers

A significant portion of our customer base by revenue is comprised of large financial institutions such as banks or insurance carriers, and may have products covered by multiple vertical categories on our online network. Our largest customers by revenue generated in the year ended December 31, 2013 and the year ended December 31, 2012 include Capital One, Chase, American Express, Citibank, Discover, and GEICO. For the year ended December 31, 2013, our largest customer, Capital One, accounted for 11% of our total revenue across all products and our ten largest customers accounted for approximately 50% of total revenues across all products. For the year ended December 31, 2012, our largest customer, Capital One, accounted for 12% of our total revenue across all products, and our ten largest customers accounted for approximately 47% of total revenues across all products.

Product Development Strategy

Our product development strategy is designed to expand our advertiser base, traffic origination sources and highly targeted consumer audience, all of which are critical to our success and drive monetization. Key elements of this strategy include:

- enhancing the consumer experience and engagement on our websites;
- increasing traffic to our websites;
- increasing monetization of our traffic and advertiser satisfaction;
- developing products to expand opportunities with partners and affiliates; and
- expanding into new products and features to further enhance our consumer relationships.

Our continuously evolving flagship website features a modern modular design enabling us to add features and additional content rapidly, test consumers' response and engagement and optimize satisfaction as a result. We plan to further leverage our back-end infrastructure in the process, creating an even stronger network for our consumers, advertisers, partners and affiliates.

In addition, we have many initiatives under way to create a substantial mobile presence. These initiatives range from device-specific mobile websites to applications that help our consumers use our most popular tools and content and to address specific mobile personal finance needs.

In fulfilling our product mission, we make extensive use of site tracking and optimization technologies, and we continually monitor and improve consumer engagement and monetization. Executive steering committees regularly review initiatives across the firm and allocate resources to balance these goals. We believe that our goal-oriented

product development strategy and execution, our rapid incremental iterative process, and our overall discipline have been some of the key components of our success and we believe these will continue to assist us in maintaining our competitive advantage in the future.

Competition

We compete for advertising revenues across the broad categories of personal finance content, online credit card marketplaces, and insurance marketplaces, 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 verticals. Our online and print competition includes the following:

- search engines utilizing keyword cost-per-click advertising or comparison advertising sites/networks;

Table of Contents

- lead aggregators and websites committed to specific personal finance products;
- numerous websites in each of our vertical categories competing for traffic and for advertisers;
- search engines that display their own proprietary content or services in search results that in some cases compete with the content or services in one or more of our vertical categories;
- financial institutions, including mortgage lenders, deposit institutions, insurance providers and credit card issuers, many of whom are also our customers;
- traditional offline personal finance marketing channels, including direct mail, television, radio, print, call centers and retail bank branches; and
- general interest web sites that compete for advertising dollars such as Yahoo and AOL.

Competition in the online publishing business is generally directed at growing users and revenue using marketing and promotion to increase traffic to websites. We believe that we compete favorably within each of the categories described above and that we will be able to maintain and enhance our leadership position.

Technology

We currently operate our online network and supporting systems on servers at secure third-party co-locations, including facilities in Atlanta, Georgia, Austin, Texas and Denver, Colorado. The third-party facilities and our infrastructure and network connectivity are monitored by Bankrate continuously, on a 24 hours a day, 365 days a year basis.

Most of our critical properties and consumer facing operations operate concurrently from multiple data centers. Multiple data centers are key to our business continuity strategy, providing continuity and recovery options if a 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 and switching systems, including redundant routers, firewalls, switches, and load balancers at each data center. To provide maximum scalability, many of our high-traffic web pages are served from multiple active/active data centers through an independent content distribution network.

Multi-node clusters and active load balancing systems are used for key functions, including web serving, web services, and many databases. The vast majority of the information presented on our websites, 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.

The extensive use of a multi-data center active/active architecture, combined with load balancing at multiple levels, ensures our ability to handle load and scale the capacity to demand. We operate key systems with substantial margins beyond our historical peak demands, maintaining the ability to serve many times our peak traffic.

Our systems are controlled and updated remotely via encrypted virtual private network (VPN) links to our operating locations. The technical services staff 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.

Our engineering and technical management operates from three primary locations, including North Palm Beach, Florida, Denver, Colorado, and Austin, Texas. We have additional engineering staff in San Francisco, California,

United Kingdom, China, and India.

We use a combination of technologies, including Microsoft .NET, Microsoft SQL Server, LAMP (Linux, Apache, MySQL, PHP), and WordPress. We also leverage third party content distribution networks, ad serving, optimization, and tracking services to improve performance and provide instrumentation, while leveraging the scalability of major vendors in these arenas.

Intellectual Property

Our proprietary intellectual property consists of our unique research and editorial content, computer programs relating to our websites, our websites 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 we believe that none is individually significant.

14

Table of Contents

Regulatory Matters

We are affected by laws and regulations that apply to businesses in general, as well as to businesses operating on the Internet. This includes a continually expanding and evolving range of laws, regulations and standards that address information security, data protection, privacy, consent and advertising, among other things. To the extent we provide a medium through which users can post content and communicate with one another, we may also be subject to laws governing intellectual property ownership, obscenity, libel, and privacy, among other issues. Advertising and promotional information presented to visitors to our online services, and our other marketing activities, are subject to federal and state consumer protection laws that regulate unfair and deceptive practices. There are laws, regulations and standards that regulate certain aspects of the Internet, including online content, user privacy, taxation, liability for third-party activities and jurisdiction. These include the Communications Decency Act of 1996, which regulates content of material on the Internet, and the Digital Millennium Copyright Act of 1998, which provides recourse for owners of copyrighted material who believe that their rights under U.S. copyright law have been infringed on the Internet. In the area of data protection, the U.S. Federal Trade Commission and certain state agencies have investigated various Internet companies' use of their customers' personal information, and certain federal and state statutes regulate specific aspects of privacy and data collection practices. There are also a variety of state and federal restrictions on marketing activities conducted by telephone, the mail or by email, or over the Internet, including the Telephone Consumer Protection Act, state telemarketing laws, federal and state privacy laws, the CAN-SPAM Act, and the Federal Trade Commission Act and its accompanying regulations and guidelines. Because we engage in marketing activities over the Internet and by telephone, mail and email, we may be subject to some of these laws and regulations.

State, federal and foreign lending laws and regulations generally require accurate disclosure of the critical components of credit costs so that consumers can readily compare credit terms from various lenders. These laws and regulations also impose certain restrictions on the advertisement of these credit terms. Because we are an aggregator of rate and other information regarding many financial products, including mortgages, deposits and credit cards, we may be subject to some of these laws and regulations. The insurance industry is also subject to numerous federal and state laws and regulations, including licensing requirements. We believe that we have structured our business and our online services to comply with applicable laws and regulations as are currently in effect. Because of uncertainties as to the applicability of some of these laws and regulations to the Internet and, more specifically, to our type of business, and considering that our business has evolved and expanded in a relatively short period of time, and will continue to evolve and develop, we may not always have been, and may not always be, in compliance with all applicable federal, state and foreign laws and regulations.

Federal, state, local and foreign governments are also considering other legislative and regulatory proposals that would regulate the Internet in more and different ways than exist today. It is impossible to predict whether new restrictions, fees, or taxes will be imposed on our services, and whether and how we would be affected. Increased regulation of the Internet both in the United States and abroad may decrease its growth and hinder technological development, which may negatively impact the cost of doing business via the Internet or otherwise materially adversely affect our business, financial condition or operational results.

As a public company with securities listed on the New York Stock Exchange, we are also subject to review and oversight by the SEC and the New York Stock Exchange. We are not currently subject to regulatory oversight by the U.S. Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC), or other bank regulatory authorities.

Employees

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

As of December 31, 2013, we employed 488 people. None of our employees are represented under collective bargaining agreements. We have never had a work stoppage. We consider our employee relations to be good.

Available Information

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge on the Company's website at investor.bankrate.com as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K.

In addition, copies of the Company's annual report will be made available, free of charge, on written request.

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.

15

Table of Contents

Item 1A. Risk Factors

An investment in our securities involves risk. You should carefully consider the following risks as well as the other information included in this Annual Report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes, before investing in our securities. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or prospects, and cause the value of our securities to decline, which could cause you to lose all or part of your investment in our Company.

Risks Related to Our Business

Our success depends on revenue from online advertising and the sale of financial lead products.

We have historically derived, and we expect to continue to derive, the majority of our revenue through the sale of advertising impressions, financial product leads and clicks and calls on our online network. Any factors that limit the amount our customers are willing to and do spend on advertising with us, or to purchase leads from us, could have a material adverse effect on our business. These factors may include our ability to:

- maintain a significant number of unique website visitors and corresponding significant reach of Internet and mobile visitors;
- successfully convert visitors to some of our websites or mobile applications into credit card applicants and maintain a significant rate at which credit card applications initiated through some of our websites or mobile applications are approved by our credit card issuer customers;
- successfully convert consumers’ visits to some of our websites or mobile applications into transaction fees and/or revenue from banks, mortgage brokers, or insurance agents or carriers;
- maintain and increase our relationships with third-party insurance lead sources and maintain the quality of our lead product sourced from third parties;
- compete with alternative advertising sources;
- maintain a significant number of sellable impressions generated from website visitors available to advertisers;
- accurately measure the number and demographic characteristics of our visitors;
- successfully sell and market our online network to our customers, including mortgage loan, credit card and insurance product providers;
- handle temporary high volume traffic spikes to our online network;
- convince traditional media advertisers to advertise on our online network;
- increase traffic to our online network; and
- acquire and generate insurance leads.

Most of our customer contracts are short-term and are subject to termination by the customer at any time and/or do not have any minimum purchase requirements. Customers who have longer-term contracts may fail to honor their existing contracts, fail to renew their contracts or reduce their purchase volume under those contracts. If a significant number of customers or a few large customers decide not to continue advertising with us or purchasing our lead products, or materially reduce such activities, we could experience an immediate and substantial decline in our revenues over a relatively short period of time.

In addition, a failure to successfully execute on our strategy within our consumer insurance lead generation products, including without limitation our initiative to continue to improve and maintain the quality of our consumer insurance lead products, could adversely affect our revenue and operating results.

We face intense competitive pressures that may harm our operating results.

We face intense competition in all our businesses, and we expect competition to remain intense in the future. We compete with, among others, search engines utilizing keyword cost-per-click advertising or comparison advertising sites/networks; lead aggregators and websites committed to specific personal finance products; numerous websites in each of our vertical categories competing for traffic and for advertisers; financial institutions, including mortgage lenders, deposit institutions, insurance providers and credit card

16

Table of Contents

issuers, many of whom are also our customers; and traditional offline personal finance marketing channels, including direct mail, retail bank branch networks, television, radio, print advertising and call centers. Some of these competitors have significantly greater financial resources than we do and could use those resources to develop more directly competitive product offerings and editorial content and undertake advertising campaigns to promote those new offerings and content, which could result in diminished traffic to our websites and reduce our overall competitive and market position. In addition, new competitors may enter this market as there are few barriers to entry. For example, Google has recently begun presenting comparisons of credit cards through its search engine, and in the past has presented and in the future may present comparisons of mortgage, insurance, or deposit rates through its search engine, which may divert consumers away from our websites, including consumers who would otherwise find, be directed or be linked to our websites through the Google search engine. If one of those competitors was successful in such efforts, it could have an adverse effect on our business, operating results and prospects. Our online competitors may adopt certain aspects of our business model or replicate the appearance and features of our website, which could reduce our ability to differentiate our services. 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 websites. In the future, competitors could introduce superior products and services or reduce prices below ours. Increased competition could result in lower website traffic, advertising rate reductions, reduced margins or loss of market share, any of which would adversely affect our business and operating results.

We depend upon Internet search engines to attract a significant portion of the visitors to our websites, and any change in the prominence of our websites in either paid or algorithmic search result listings could cause the number of visitors to our websites and our revenue to decline.

We depend in significant part on various Internet search engines, such as Google, Bing and Yahoo!, and other search websites to direct a significant number of visitors to our websites to provide our online services to our clients. Search websites typically provide two types of search results, algorithmic and paid listings. Algorithmic, or organic, listings are determined and displayed solely by a set of formulas designed by search companies. Paid listings can be purchased and then are displayed if particular words are included in a user's Internet search. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of the website featured in the paid listing and other factors. We rely on both algorithmic and paid search results, as well as advertising on other websites, to direct a substantial share of the visitors to our websites.

Our ability to maintain the number of visitors to our websites from Internet search websites and other websites is not entirely within our control. For example, Internet search websites frequently revise their algorithms in an attempt to optimize their search result listings or to maintain their internal standards and strategies. Changes in the algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. We have experienced and continue to experience fluctuations in the search result rankings for a number of our websites.

In addition, the prominence of the placement of our advertisements is in part determined by the amount we are willing to pay for the advertisement. We bid against our competitors for the display of paid search engine advertisements and some of our competitors have greater resources with which to bid and better brand recognition than we have. If competition for the display of paid advertisements in response to search terms related to our online services increases, our online advertising expenses could rise significantly or we may be required to reduce the number of our paid search advertisements. If we were to reduce our advertising with search engines, our consumer traffic may significantly decline or we may be unable to maintain a cost-effective search engine marketing program.

Other factors, such as search engine technical difficulties, search engine technical changes and technical or presentation changes we make to our websites, could also cause our websites to be listed less prominently in algorithmic search results. In addition, search engines retain broad discretion to remove from search results any company whose marketing practices are deemed to be inconsistent with the search engine's guidelines. If our marketing practices do not comply with search engine guidelines, we may, without warning, not appear in search result listings at all. Any adverse effect on the placement of our websites in search engine results could reduce the number of users who visit our websites. In turn, any reduction in the number of visitors to our websites would negatively affect our ability to earn revenue. If visits to our websites decrease, our revenue may decline or we may need to resort to more costly sources to replace lost visitors, and such decreased revenue and/or increased expense could adversely affect our business and profitability.

Our visitor traffic can be 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 online platforms 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 websites can be dependent on interest rate levels as well as mortgage financing and refinancing

Table of Contents

activity. Accordingly, a slowdown in mortgage production or refinancing volumes could have an adverse effect on our business. Conversely, a sudden, significant change 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.

To accelerate the growth of traffic to our websites, we are working with our syndication partners to provide timely content, and we are aggressively promoting all of our products. There is the risk that our traffic will not remain stable or that our promotional activities will not be successful. Any reduction in traffic to our online platforms could have an adverse effect on our business or results of operations.

We depend on third-parties for a significant portion of our insurance lead generation leads and traffic and to a lesser extent for our banking and credit card traffic and revenues, and any material decline in our relationships with these third parties, or increase in the price of leads from these third parties, could have a material adverse impact on our revenues or operating results.

A significant portion of our revenue from our lead product, particularly in our insurance channel, is attributable to leads sourced from third-parties, including but not limited to website publishers, lead aggregators and email marketers. In many instances, these third parties can change the lead inventory they make available to us at any time and, therefore, impact our revenue. If these third parties decide not to make lead inventory available to us, are purchased by one of our competitors or another company that decide to no longer make lead inventory available to us, or decide to demand a higher price for lead product, we may not be able to find replacement lead inventory from other sources that satisfy our requirements in a timely and cost-effective manner, which could have a material adverse impact on our revenues or operating results.

In addition, our failure to mitigate risks associated with this traffic and leads from third party sources within our insurance lead generation channel by developing larger direct and organic traffic could have a material adverse impact on our revenues or operating results.

If we fail to keep pace with rapidly-changing technologies and industry standards, including without limitation the increasing shift by consumers to mobile devices from personal computers, we could lose consumers, customers or advertising inventory and our results of operations may suffer.

The business lines in which we currently operate and compete are characterized by rapidly-changing Internet media and marketing standards, changing technologies and platforms, frequent new product and service introductions, and changing consumer and customer demands and modes of accessing and providing information. The number of individuals who access the Internet through devices other than a personal computer, such as tablets and smartphones, has increased dramatically. The introduction of new technologies and services embodying new technologies and the emergence of new industry standards and practices could render our existing technologies and services obsolete and unmarketable or require unanticipated investments in technology. If consumers find our online network difficult to access through alternative devices or our competitors develop product offerings that are better adapted to or more easily accessible 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 Internet traffic. Our future success will depend in part on our ability to adapt to these rapidly-changing digital media formats and platforms and other technologies, including without limitation new Internet and mobile technologies. We will need to enhance our existing technologies and services and develop and introduce new technologies and services to address our customers' changing demands and consumer expectations and the ways consumers access online information. If we fail to adapt successfully to such developments or timely introduce new technologies and services, including without limitation a failure to successfully execute on our mobile strategy, we could lose consumers and customers, our expenses could

increase and we could lose advertising inventory, any of which could have a material adverse impact on our revenues or results of operations.

Our websites, applications, widgets and other products may encounter technical problems, service interruptions or security failures.

In the past, our websites have experienced significant increases in traffic and our applications and widgets have experienced significant increases in use 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 servers must accommodate spikes in demand for our web pages in addition to potential significant growth in traffic.

Our websites, applications, widgets and other products 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 may increase in the future if our servers and infrastructure are not able to accommodate potential significant traffic growth and spikes in demand. Delays and interruptions

18

Table of Contents

resulting from the failure to maintain service connections to our websites or applications could frustrate visitors and reduce future traffic on our online platforms, which could have a material adverse effect on our business or results of operations.

Our principal communications, networking and operations equipment is located in commercial co-location data centers in Atlanta, Georgia; Denver, Colorado; and Austin, Texas, as well as other locations. Additional communications, networking and operations equipment is located at our office locations in North Palm Beach, Florida and Denver, Colorado, as well as other locations. Multiple system or network failures or catastrophic loss of facility involving these locations, particularly data centers, could lead to interruptions or delays in service for our websites or applications, which could have a material adverse effect on our business or results of operations. Additionally, we are dependent on third-party providers and their ability to provide safe, effective and cost-efficient servers. Our operations are dependent upon our ability, and our third-party providers' ability, to protect our systems against damage from fires, floods, tornadoes, hurricanes, earthquakes, power losses, telecommunications failures, physical or electronic break-ins, computer viruses, acts of terrorism, hacker attacks and other events beyond our control. If any of these events were to occur, it could have a material adverse effect on our business or results of operations. Although we maintain insurance to cover a variety of risks, the scope and amount of our insurance coverage may not be sufficient to cover our losses resulting from system or security failures or other disruptions to our online operations.

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, product offers, services and functionality. In addition, we may take actions that have the unintended consequence of harming our brand. If our actions cause consumers to question the value of our marketplace, our business and reputation may suffer. If we fail to promote our brands successfully or if visitors to our websites, users of our applications, 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, which will in turn impact our operating results.

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 our customers or customer demand for our services;
- traffic levels on our websites and mobile applications, which can fluctuate significantly;
- changes in the demand for online products and services;
- changes in fee or revenue-sharing arrangements with our distribution partners;
- changes in application approval rates by our credit card issuer customers;
- our ability to enter into or renew key distribution agreements;
- the introduction of new advertising services by us or our competitors;
- failure by advertisers or their agencies to pay amounts owed to us in a timely manner or at all;
- changes in access to lead inventory;
- changes in our capital or operating expenses;
- changes in consumer confidence;
- changes in interest rates;

- general economic conditions; and
- changes in banking or other laws that could limit or eliminate content on our websites.

Our future revenue and results of operations are difficult to forecast due to these factors as well as other 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.

Table of Contents

Restrictive covenants in the indenture governing our outstanding senior secured notes, our revolving credit agreement or other future indebtedness may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.

The Senior Notes Indenture (as defined below) governing our 6 1/8 % senior notes due 2018 (the “Senior Notes” or “Notes”) and our New Credit Agreement (as defined below) contain, and any future indebtedness may contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to take actions that we believe may be in our interest. The Senior Notes Indenture and the New Credit Agreement limit, among other things, our ability to:

- incur additional indebtedness and guarantee indebtedness;
 - pay dividends on or make distributions in respect of capital stock or make certain other restricted payments (including redemptions of subordinated indebtedness);
- enter into agreements that restrict distributions from restricted subsidiaries;
- sell or otherwise dispose of assets, including capital stock of restricted subsidiaries;
- enter into transactions with affiliates;
- create or incur liens;
- enter into sale/leaseback transactions;
- merge, consolidate or sell all or substantially all of our assets;
- make investments; and
- change our business operations.

A breach of the covenants or restrictions under the Senior Notes Indenture, the New Credit Agreement or any agreement governing our future indebtedness could result in a default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event our lenders and note holders accelerate the repayment of our borrowings, we cannot assure that we and our subsidiaries would have sufficient assets to repay such indebtedness.

The restrictions contained in the Senior Notes Indenture and the New Credit Agreement could adversely affect our ability to:

- finance our operations;
- make needed or desired capital expenditures;
- make strategic acquisitions or investments or enter into strategic alliances;
- withstand a future downturn in our business or the economy in general;
- engage in business activities, including future opportunities, that may be in our interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

These restrictions could materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Senior Notes and the New Credit Agreement.

Risks associated with our strategic acquisitions could adversely affect our business or results of operations.

We have acquired a number of companies and assets of companies in the past and may make additional acquisitions, asset purchases and strategic investments in the future. We will continue to consider acquisitions, asset purchases and joint ventures as a means of enhancing stockholder 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. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated.

20

Table of Contents

It is also possible that expected synergies from future acquisitions may not materialize in full or at all. 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 and which could have a material adverse effect on our business or results of operations. In connection with acquisitions, we generally seek to minimize the impact of these types of potential liabilities through the structure of the transaction or through indemnities and warranties from the seller, which may in 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, our resources and our ability to obtain financing.

We depend on attracting and retaining executive officers and personnel to continue the implementation of our long-term business strategy and could be harmed by the loss of their services.

We believe that our continued growth and future success will depend in large part on the skills of our senior management team and other skilled employees. The loss of service of one or more of our executive officers or of other personnel could reduce our ability to successfully implement our long-term business strategy, our business could suffer and the value of our common stock could be materially adversely affected. Leadership changes will occur from time to time and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our senior management team possesses valuable knowledge about our business and that their knowledge and relationships would be very difficult to replicate. Although our senior management team has entered into employment agreements with us, they may not complete the term of their employment agreements or renew them upon expiration. Our success and the quality of our content also depend on the expertise of our editors and reporters and on their relationships with the media, financial experts and other sources of information. The loss of qualified personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

If our employees were to unionize, our operating costs would likely increase.

Our employees are not currently represented by a collective bargaining agreement. However, we have no assurance that our employees will not unionize in the future, which could increase our operating costs, force us to alter our operating methods, and have a material adverse effect on our operating results.

We are from time to time involved in, or may in the future be subject to, claims, suits, government inquiries or investigations, and other proceedings that may have an adverse effect on our business, operating results or financial condition.

We are from time to time involved in, or may in the future be subject to, claims, suits, government inquiries or investigations, and proceedings arising from our business or the fact that we are a public company, including actions with respect to intellectual property claims, privacy, consumer protection, information security, securities laws and regulations, transactions in which we are involved, data protection or law enforcement matters, tax matters, labor and

employment claims, commercial claims, as well as shareholder derivative actions, purported class action lawsuits, and other matters. We are also at risk where we have agreed to indemnify others for losses related to legal proceedings or from direct harm. Such claims, suits, inquiries, investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, any such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products or technologies, which could in the future materially and adversely affect our business, operating results or financial condition. In addition, accounting rules may require the Company to record a liability related to a particular matter prior to its resolution if the incurrence of a loss related to such matter becomes probable and reasonably estimable.

In addition to litigation in the ordinary course of business, we are currently involved in litigation in which it has been alleged that we have participated in anti-competitive conduct. See the section entitled "Legal Proceedings." Antitrust litigation is by its nature not in the ordinary course. Defending antitrust allegations, even if ultimately successful, can be costly and have a negative effect on our business. In addition, the relief sought by the plaintiffs in this case, if granted, could prevent Bankrate from continuing to pursue at

Table of Contents

least some aspects of its current business model, which could have a material adverse effect on our financial condition and results of operations.

We are subject to operational risk.

We are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of our noncompliance with contractual and other obligations. We are also exposed to operational risk through the aspects of our business that we outsource, and the effect that changes in circumstances or capabilities of our outsourcing vendors can have on our ability to continue to perform operational functions necessary to our business. Although we seek to mitigate operational risk through a system of internal controls which we review and update, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to our reputation or foregone business opportunities, and also adversely impact our ability to produce accurate financial statements on a timely basis, any of which could have a material adverse effect on our business or results of operations.

We rely on the protection of our intellectual property.

Our intellectual property includes our unique research and editorial content of our websites, our applications, our URLs, our registered and unregistered trademarks and our 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 websites, mobile applications 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.

We may be subject to claims that we violated intellectual property rights of others, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Companies in the Internet and technology industries, and other patent holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We may in the future receive notices that claim we have misappropriated or misused other parties' intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods.

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 of these representations. However, these representations may not be accurate and the indemnification may be limited or otherwise may not be sufficient to provide adequate compensation for any breach of these representations.

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, and may be subject to claims related to, information on our websites or mobile applications, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Much of the information published on our online platforms and in our print publications relates to the competitiveness of financial institutions' rates, products and services. We also publish editorial content designed to educate consumers about banking and personal finance products. If the information we provide is not accurate or is construed as misleading or outdated, consumers and others could lose confidence in our services and attempt to hold us liable for damages and government regulators could impose fines or penalties on us. We may be subjected to claims of violations of law or regulation, and claims for defamation, negligence, fraud, deceptive

Table of Contents

practices, copyright or trademark infringement, conflicts of interest or other theories relating to the information we publish. In addition, if there are errors or omissions in information we publish, consumers, individually or through consumer class actions, could seek damages from us for losses incurred if they relied on incorrect information we provided. These types of claims have been brought, sometimes successfully, against providers of online services as well as print publications. The scope and amount of 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, which even if unfounded or decided in our favor may be extremely costly to defend, could require us to pay significant damages and could limit our ability to operate.

Much of the information on our online platforms that is provided by advertisers and collected from third parties relates to the rates, costs and features for various loan, depository, insurance, personal credit and investment products offered by financial institutions, mortgage companies, investment companies, insurance companies and others participating in the personal finance marketplace. We are exposed to the risk that some advertisers may provide us, or directly post on our websites or mobile applications, (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 we provide, causing certain advertisers to become dissatisfied with our services, and result in lawsuits being filed against us which could adversely affect our business or results of operations. The scope and amount of our insurance may not adequately protect us against these types of lawsuits.

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 websites. 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 online operators and establish new relationships. In addition, as we expand our personal finance content, some of these online operators may perceive us as a competitor. As a result, they may be unwilling to promote distribution of our 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 do not have exclusive relationships or long-term contracts with the banks, mortgage brokers, credit card issuers, insurance companies or agencies that are our customers, which may limit our ability to retain these customers as participants in our marketplace and maintain the attractiveness of our services to consumers.

We do not have an exclusive relationship with the banks, mortgage brokers, credit card issuers, insurance companies or agencies whose products are advertised on our online marketplace, and thus, consumers may obtain financial services products from these companies without using our services. Many of our customers also offer their products directly to consumers through agents, mass marketing campaigns or other traditional methods of distribution. In many cases, our customers also offer their products and services over the Internet, either directly to consumers or through one or more of our online competitors, or both. An inability to retain these customers as participants in our marketplace could materially affect our business, revenues and results of operations.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under accounting principles generally accepted in the United States of America ("GAAP") 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. 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.

Unfavorable resolution of tax contingencies could adversely affect us.

Our tax returns and positions are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, and could negatively and adversely impact our financial condition, results of operations or cash flows.

Table of Contents

We may expand to other international markets, in addition to our United Kingdom, Canada and China operations, in which we may have limited experience.

We have websites for consumers located in the United Kingdom, Canada and China. In the event that we expand into other international markets, we will have only limited experience in marketing and operating our products and services in those markets. Expansion into international markets requires significant management attention and financial resources, may require the attraction, retention and management of local offices or personnel, and requires us to tailor our services and information to the local market as well as to adapt to local cultures, languages, regulations and standards. Certain international markets may be slower than domestic markets in adopting the Internet as an advertising and commerce medium or in developing telecommunications or Internet infrastructure 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 content at all or as quickly as U.S. consumers.

Our international operations 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;
- restrictions on the use of or access to the Internet;
- 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 compliance with applicable regulations, including but not limited to anti-corruption laws such as the Foreign Corrupt Practices Act and U.K. Bribery Act;
- risks related to government regulation or required compliance with local laws in certain jurisdictions, including labor laws; 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.

Fraudulent Internet transactions, consumer identity theft, security breaches and privacy concerns could hurt our revenues and reputation.

If consumers experience identity theft, data security breaches or fraud after clicking through one of our websites or mobile applications to apply for credit cards on the websites of credit card issuers, mortgage or deposit products on the websites of brokers or lenders, or insurance on the websites of insurance agents or carriers, or following the completion of a lead form, we may be exposed to liability, adverse publicity and damage to our reputation. Despite our implementation of security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptions and security breaches. In addition, we depend on vendors to store or process certain information, some of which may be private or include personally-identifiable information. If these vendors fail to maintain adequate information security systems and consumer information is compromised, our business or results of operation could be harmed. Any perceived or actual unauthorized disclosure of personally-identifiable

information regarding visitors to our services could harm our reputation, impair our ability to attract consumers and attract and retain our advertisers, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and operating results. To the extent that credit card fraud or identity theft causes a general decline in consumer confidence in online financial transactions, our revenues could decline and our reputation could be damaged. If consumers are reluctant to use our services because of concerns over data privacy or credit card fraud, our ability to generate revenues would be impaired. Our revenues would also decline if changes in industry standards, regulations or laws deterred people from using the Internet to conduct transactions that

24

Table of Contents

involve the transmission of confidential information, such as applying for credit cards. In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in financial transactions over the Internet, or prevent credit card fraud and identity theft, we may be required to expend significant capital and other resources. Further, advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the algorithms we use to protect consumers' and customer companies' confidential information, which could have a material adverse effect on our business.

If we fail to detect click-through fraud, other fraud on advertisements or unscrupulous advertisers, we could lose the confidence of our other advertisers or our customers and all or part of their business, thereby causing our business to suffer.

We are exposed to the risk of fraudulent clicks on our advertisements or actions with respect to our lead sources. We may in the future have to refund revenue that our advertisers or customers have paid to us and that was later attributed to, or suspected to be caused by fraud. Fraudulent clicks may result in us receiving advertising fees that are not the result of clicks generated by consumers. Click-through fraud occurs when a person or automated system clicks on an advertisement displayed on a website with the intent of generating the revenue share payment to the publisher rather than to view the underlying content. Action fraud occurs when on-line forms are completed with false or fictitious information in an effort to increase the compensable actions in respect of which the recipient of such information is to be compensated. We do not charge our advertisers or customers for fraudulent clicks or actions when they are detected, and such fraudulent activities could negatively affect our profitability or harm our reputation. If fraudulent clicks or actions are not detected, the affected advertisers or customers may experience a reduced return on their investment in our programs, which could lead the advertisers or customers to become dissatisfied with our campaigns, and in turn, lead to loss of advertisers or customers and the related revenue.

We are also exposed to the risk that advertisers who advertise on our website will advertise interest rates or other terms on a variety of financial products that they do not intend to honor. This "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. Such activity could hurt our reputation and our brand and lead to our other advertisers becoming dissatisfied with our advertising programs, which could lead to loss of advertisers and revenue.

Future government regulation of the Internet is uncertain and subject to change.

Laws and regulations that apply to Internet communications, commerce and advertising are continuously evolving and developing. In the United States and abroad, federal and state laws have been enacted regarding intellectual property ownership and infringement, trade secrets, the sending of unsolicited commercial email, user privacy, search engines, Internet tracking technologies, direct marketing, data security, children's privacy, sweepstakes, promotions and acceptable content and quality of goods. This legislation could: hinder growth in the use of the Internet generally; decrease the acceptance of the Internet as a communications, commercial and advertising medium; reduce our revenue; increase our operating expenses; or expose us to significant liabilities. 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 and the viability of Internet commerce, which could have a material adverse effect on our business.

Laws and regulations may limit or restrict the way we operate our business or establish and maintain our online relationships, and may subject us to claims.

State, federal and foreign lending laws and regulations generally require accurate disclosure of the critical components of credit costs so that consumers can readily compare credit terms from various lenders. These laws and regulations also impose certain restrictions on the advertisement of these credit terms. Because we are an aggregator of rate and other information regarding many financial products, including mortgages, deposits and credit cards, we may be subject to some of these laws and regulations and we may be held liable under these laws and regulations for information provided through our online services. The insurance industry is also subject to numerous federal and state laws and regulations, including licensing requirements.

We rely on telemarketing and email marketing conducted internally and through third parties to generate a significant number of leads for our business. The telemarketing and email marketing services industries are subject to an increasing amount of regulation in the United States under both federal and state law. The U.S. Federal Trade Commission (FTC) and Federal Communications Commission (FCC) have issued regulations that place restrictions on telephone calls to residential and wireless telephone subscribers. Most of the statutes and regulations in the United States allow a private right of action for the recovery of damages or provide for enforcement by the FTC, state attorneys general or state agencies permitting the recovery of significant civil or criminal penalties, costs and attorneys' fees in the event that regulations are violated. We believe that we comply with all such applicable laws and regulations, but cannot assure you that we, or third parties that we rely on for telemarketing, email marketing and other lead generation activities, will be in

Table of Contents

compliance with all applicable laws and regulations at all times. We cannot assure you that the FTC, FCC, private litigants or others will not attempt to hold us responsible for any unlawful acts conducted by such third parties or that we could successfully enforce or collect upon any indemnities provided to us by third parties, any of which could have a material adverse effect on our business, results of operations or financial condition. In addition, changes in such regulations or the interpretation thereof that further restrict such activities could result in a material reduction in the number of leads for our business and could have a material adverse effect on our business, results of operations and financial condition.

The FCC recently amended its regulations under the Telephone Consumer Protection Act (TCPA), effective in July 2012, which could increase our exposure to liability for certain types of telephonic communication with consumers. Under the TCPA, plaintiffs may seek injunctive relief and actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. We are currently party to a putative class action alleging violations of the TCPA that is described in Note 11 to our Consolidated Financial Statements included in this document. The lawsuit seeks damages (including statutory damages) and injunctive relief, among other remedies, and a determination that there have been violations of laws relating to our practices under the TCPA or other communications-based statutes could expose us to damage awards that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial condition.

We believe that we have structured our business and our online services to comply with applicable laws and regulations as are currently in effect. Because of uncertainties as to the applicability of some of these laws and regulations to the Internet and, more specifically, to our type of business, and considering that our business has evolved and expanded in a relatively short period of time, and will continue to evolve and develop, we may not always have been, and may not always be, in compliance with all applicable federal, state and foreign laws and regulations. If we are found to be in violation of any applicable laws or regulations, we could be subject to administrative enforcement actions and fines, class action lawsuits, cease and desist orders, and civil and criminal liability. 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 websites and the operation of our business. Moreover, such events could materially and adversely affect our business, results of operations and financial condition.

Deterioration in general economic conditions and difficult market conditions may adversely affect the financial services industry and harm our revenue opportunities, business and financial condition.

General downward economic trends, reduced availability of commercial credit and increasing unemployment negatively impact the credit performance of commercial and consumer credit. Concerns over the stability of the financial markets and the economy have resulted, and may result in the future, in decreased lending by financial institutions to their customers and to each other. These macroeconomic conditions have affected and may in the future negatively affect our business and financial condition. Economic pressure on consumers and businesses and declining confidence in the financial markets would likely cause a decrease in the demand for advertising financial products and services. Additionally, 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, deterioration in economic conditions could cause decreases in or delays in advertising spending and would be likely to reduce our revenue and negatively impact our short term ability to grow our revenues.

Our substantial indebtedness could adversely affect our financial flexibility and prevent us from fulfilling our obligations under the Notes and New Credit Agreement.

We have, and will continue to have, a significant amount of indebtedness. As of December 31, 2013, our total indebtedness was \$297.0 million, net of unamortized discount comprised of the Notes in an aggregate principal amount of \$300.0 million. As of December 31, 2013, we had no loans outstanding under the New Credit Agreement. Our interest expense for the year ended December 31, 2013 was \$25.1 million. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to invest in our business at an appropriate level, thereby making it more difficult to pay amounts due in respect of our indebtedness. Our substantial indebtedness could have other important consequences to you and significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to other contractual and commercial commitments;
- limit our ability to obtain additional financing amounts to fund working capital, capital expenditures, debt service requirements, execution of our business strategy, or acquisitions and other purposes;
- require us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the funds available to us for other purposes;

Table of Contents

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, changes in government regulation and changes in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expenses in the event of increases in interest rates; and
- make it more difficult to satisfy our financial obligations, including payments on the Notes and amounts outstanding from time to time under the New Credit Agreement.

In addition, the Senior Notes Indenture and the New Credit Agreement each contain, and the agreements evidencing or governing other future indebtedness may contain, restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful or if successful, could adversely impact our business.

Our ability to make scheduled payments on or to refinance our debt obligations, including the Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. Our debt service obligations are currently \$18.4 million per year. In addition, we entered into the Revolving Credit Facility described below, which when drawn in the future would increase the amount of our current debt service obligations. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The Senior Notes Indenture and the New Credit Agreement each restrict, and any of our other future debt agreements may restrict, our ability to dispose of assets and use the proceeds from any such dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct our operations through our subsidiaries, certain of which may not be guarantors of the Notes or guarantors of our other indebtedness. Accordingly, repayment of our indebtedness, including the Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the Notes, our obligations from time to time under the New Credit Agreement or any future indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Notes or under the New Credit Agreement or to make funds available for such purposes. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Although the Senior Notes Indenture and the New Credit Agreement do, and other future debt agreements may, limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are, or in the case of future debt agreements may be, subject to certain

qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of Notes or our other indebtedness could declare all outstanding principal and interest to be due and payable and we could be forced into bankruptcy or liquidation.

27

Table of Contents

Despite restrictions in the Senior Notes Indenture and the Revolving Credit Facility, we may still be able to incur additional indebtedness. This could increase the risks associated with our leverage, including the ability to service our indebtedness.

We may be able to incur additional indebtedness pursuant to the Senior Notes Indenture and the New Credit Agreement in the future, including additional secured indebtedness. As of December 31, 2013, we were able to incur up to an additional \$417.7 million of indebtedness, of which up to \$100.0 million could be secured indebtedness, pursuant to the incurrence tests described in the Senior Notes Indenture and New Credit Agreement. Although covenants under the Senior Notes Indenture and the New Credit Agreement limit our ability and the ability of our present and future subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. The Senior Notes Indenture and the New Credit Agreement also allow us to incur certain additional secured and unsecured debt and allow our foreign restricted subsidiaries and our future unrestricted subsidiaries to incur additional debt, which would be structurally senior to the Notes and amounts outstanding from time to time under the Revolving Credit Facility. In addition, the Senior Notes Indenture and the New Credit Agreement do not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. To the extent that we incur additional indebtedness or such other obligations, the risk associated with substantial additional indebtedness described above, including our possible inability to service our debt will increase.

Risks Related to Ownership of Shares of Our Securities

The Apex Holders (defined below) control a significant interest in us and its interests may conflict with or differ from stockholder interests.

We are a majority-owned subsidiary of Ben Holding S.à r.l., which is beneficially owned by Apex US VII, L.P., Apex Europe VII-A, L.P., Apex Europe VII-B, L.P. and Apex Europe VII-1, L.P. (the “Apax Holders”). Ben Holding S.à r.l. currently owns a majority of our common stock. As a result of its ownership, the Apax Holders have the power, and pursuant to the stockholders agreement, their majority-owned subsidiary Ben Holding S.à r.l. has the contractual right, to elect a majority of our directors. Accordingly, the Apax Holders have the ability to prevent or approve any transaction that requires the approval of our board of directors or our stockholders, including the approval of significant corporate transactions such as business combinations. In addition, following a reduction of the equity owned by the Apax Holders to below 50% of our outstanding common stock, the Apax Holders, through Ben Holding S.à r.l., will retain the right to designate a certain number of designees for our board of directors until the Apax Holders’ ownership percentage falls below 5%. Thus, even after selling a portion of its interests in us, the Apax Holders will continue to be able to significantly influence or effectively control our decisions.

The interests of the Apax Holders could conflict with or differ from stockholder interests. For example, the concentration of ownership held by the Apax Holders could delay, defer or prevent a change of control of the Company or impede a merger, takeover or other business combination that other stockholders may otherwise support, or approve such transactions notwithstanding opposition from other stockholders. Additionally, Apax Partners is in the business of advising on investments in companies the Apax Holders hold, and they or other funds advised by Apax Partners may from time to time in the future acquire, interests in businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. They may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

We are a “controlled company” within the meaning of New York Stock Exchange rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements applicable to non-controlled companies.

The Apax Holders control a majority of our voting common stock. As a result, we will continue to be a “controlled company” within the meaning of the New York Stock Exchange corporate governance standards for so long as the Apax Holders continue to own a majority of our outstanding voting power. Under the New York Stock Exchange rules, a company of which more than 50% of the outstanding voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain stock exchange corporate governance requirements, including:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that nominating and corporate governance matters be decided solely by independent directors; and
- the requirement that employee and officer compensation matters be decided solely by independent directors.

We intend to continue to utilize these exemptions for so long as they are available to us. As a result, we do not have a majority of independent directors nor are our nominating and corporate governance and compensation functions decided solely by independent

Table of Contents

directors. Accordingly, stockholders do not have the same protections afforded to holders of securities of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Item 1B. Unresolved Staff Comments

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 2013 fiscal year and that remain unresolved.

Item 2. Properties

Our principal administrative, sales, Internet operations, marketing and research functions are located in one leased facility in North Palm Beach, Florida. The lease is for approximately 23,000 square feet of office space and expires in October 2016, with an option to renew for one additional 5-year term. We also have substantial facilities located in Denver, Colorado where we lease approximately 21,000 square feet of office space under a lease expiring in February 2017, in Austin, Texas where we lease approximately 18,000 square feet of office space under a lease expiring in November 2018, in New York, New York where we lease approximately 19,000 square feet of office space under a lease expiring in September 2016, and in Sacramento, California where we lease approximately 11,300 square feet of office space under a lease expiring in November 2018. In addition to these facilities, we lease approximately 23,000 square feet of office space at various properties in the United States and 3,200 square feet in China, and sublease a facility in Colchester, England. These leases expire at various times. We also currently operate our online network and supporting systems on servers at secure third-party co-locations, including facilities in Atlanta, Georgia, Austin, Texas and Denver, Colorado. We believe we can relocate any of our facilities without significant cost or disruption. We use the properties for administration, sales, operations, and business development.

Item 3. Legal Proceedings

The information with respect to legal proceedings is incorporated by reference from Note 11 of our Consolidated Financial Statements included in this document.

Item 4. Mine Safety Disclosures

Not applicable

Table of Contents

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock has been listed on the New York Stock Exchange under the symbol “RATE” since June 17, 2011. Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low sales prices per share for our common stock on the New York Stock Exchange.

Fiscal Quarter Ended	Low	High
March 31, 2012	\$ 21.33	\$ 25.95
June 30, 2012	\$ 16.57	\$ 24.94
September 30, 2012	\$ 15.41	\$ 19.68
December 31, 2012	\$ 10.01	\$ 16.61
March 31, 2013	\$ 9.90	\$ 13.57
June 30, 2013	\$ 11.56	\$ 16.15
September 30, 2013	\$ 14.11	\$ 20.72
December 31, 2013	\$ 16.20	\$ 23.14

Holders of Record

As of December 31, 2013, there were approximately 129 stockholders of record of our common stock, and the closing price of our common stock was \$17.94 per share as reported by the New York Stock Exchange. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have not declared or paid any dividends on our common stock. We currently intend to retain all of our future earnings, if any, for use in our business and do not anticipate paying any cash dividends for the common stock in the foreseeable future. Our ability to pay dividends on our common stock is currently limited by the covenants of our Notes and Revolving Credit Facility and may be further restricted by the terms of any future debt or preferred securities. Payments of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends.

Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on an initial investment of \$100 in our common stock between June 17, 2011 (the date of our Initial Public Offering) and December 31, 2013, with the comparative cumulative total return of such amount on the NYSE Market Index and the RDG Internet Composite Index, over the same period. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation and not upon reinvestment of cash dividends. Data for the NYSE Market Index and the RDG Internet Composite Index assume reinvestment of dividends. The graph

assumes our closing sales price on June 17, 2011 of \$15.34 per share as the initial value of our common stock.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

30

Table of Contents

The information presented above in the stock performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, except to the extent that we subsequently specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933, as amended, or a filing under the Securities Exchange Act of 1934, as amended.

Recent Sale of Unregistered Securities

None.

Company Purchase of Equity Securities

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

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2013 through October 31, 2013	—	\$ —	—	\$ 70,000,000
November 1, 2013 through November 30, 2013	—	\$ —	—	\$ 70,000,000
December 1, 2013 through December 31, 2013	—	\$ —	—	\$ 70,000,000

(1) On February 12, 2013 the Company’s Board of Directors authorized a \$70 million share repurchase program which allows the Company to repurchase shares of its common stock in open market or private transactions. The program will expire on December 31, 2014.

Table of Contents

Equity Compensation Plan Information

The following table sets forth certain information relating to the shares of common stock that may be issued under our stock-based incentive plans at December 31, 2013:

Plan Category	Number of securities		Number of securities remaining available for future issuance under equity compensation plans
	to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	
Equity compensation plans approved by securities holders	5,058,543	\$ 15.70	5,260,937
Total	5,058,543	\$ 15.70	5,260,937

See Note 8 in Notes to Consolidated Financial Statements in Item 8.

For information on the features of the Company's equity compensation plan, see Management's Discussion and Analysis of Financial Condition and Results of Operations-Significant Developments-Stock-Based Compensation.

Item 6. Selected Financial Data

The following table presents our selected historical consolidated financial data. The consolidated statements of operations data for the years ended December 31, 2013, 2012 and 2011 and the consolidated balance sheet data at December 31, 2013 and 2012 are derived from our audited consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. The consolidated statements of operations data for the year ended December 31, 2010 and for the periods from January 1, 2009 to August 24, 2009 and July 17, 2009 to December 31, 2009, and the consolidated balance sheet data at December 31, 2011, 2010 and 2009 and at August 24, 2009, are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. As a result of the Bankrate Acquisition, our financial results were separately presented in our financial statements for the "Predecessor" entity for periods prior to the acquisition date of August 25, 2009. As a result, periods prior to August 25, 2009 are not necessarily comparable to periods after that date. In June 2011, BEN Holdings, Inc. ("Holdings") merged with Bankrate, with the surviving corporation retaining the name "Bankrate, Inc.". This merger was accounted for as a common control merger and in a manner similar to pooling of interests. Accordingly, Holdings and Bankrate were consolidated retroactively in the "Successor" entity beginning July 17, 2009, the date of inception of Holdings. Holdings had no activity during the period July 17, 2009 to August 24, 2009.

The information set forth below should be read in conjunction with our consolidated financial statements and the related notes thereto, included elsewhere in this Annual Report, and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Table of Contents

(In thousands, except share and per share data)	Successor				Period from July 17, 2009 through December 31, 2009	Predecessor Period from January 1, 2009 through August 24, 2009
	2013	2012	2011 (1)	2010 (2)		
Statement of Operations Data:						
Revenue	\$ 457,432	\$ 457,164	\$ 424,200	\$ 220,598	\$ 43,837	\$ 87,646
Cost of revenue (excludes depreciation and amortization)	150,260	145,758	143,265	85,326	18,669	35,333
Stock-based compensation - cost of revenue	790	599	445	-	-	2,958
Gross margin	306,382	310,807	280,490	135,272	25,168	49,355
Operating expenses:						
Sales	13,300	14,727	12,081	8,624	2,555	4,566
Marketing	112,157	125,209	85,533	23,672	3,629	5,958
Product development	17,079	15,531	13,881	8,722	2,546	4,336
General and administrative	43,719	32,802	34,002	22,991	5,905	10,919
Stock-based compensation	17,170	8,521	5,064	-	-	19,556
Legal settlements	-	874	-	1,646	-	-
Acquisition, offering and related expenses and related party fees	50	335	44,248	17,390	4,936	34,562
Restructuring charges	-	-	1,272	3,288	-	-
Change in fair value of contingent liabilities	16,065	(2,645)	292	60	-	-
Depreciation and amortization	60,127	52,854	43,536	35,226	9,789	8,294
	279,667	248,208	239,909	121,619	29,360	88,191
Income (loss) from operations	26,715	62,599	40,581	13,653	(4,192)	(38,836)
Other expense	-	-	-	306	-	-
Interest expense, net	24,981	25,771	31,786	38,395	12,093	30
Loss on early extinguishment of debt	17,175	-	16,629	-	-	-

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

(Loss) income before taxes	(15,441)	36,828	(7,834)	(25,048)	(16,285)	(38,866)
Income tax (benefit) expense	(5,439)	7,497	5,588	(3,651)	(6,509)	(4,222)
Net (loss) income	\$ (10,002)	\$ 29,331	\$ (13,422)	\$ (21,397)	\$ (9,776)	\$ (34,644)
Other Financial Data:						
Basic and diluted net (loss) income per share:						
Basic	\$ (0.10)	\$ 0.29	\$ (0.14)	\$ (0.30)	\$ (0.22)	\$ (1.84)
Diluted	(0.10)	0.29	(0.14)	(0.30)	(0.22)	(1.84)
Weighted average common shares outstanding:						
Basic	100,108,316	99,985,782	94,160,687	71,494,223	43,692,073	18,862,259
Diluted	100,108,316	100,831,459	94,160,687	71,494,223	43,692,073	18,862,259
Adjusted EBITDA (3)	\$ 121,907	\$ 123,137	\$ 135,438	\$ 71,263	\$ 10,533	\$ 26,534
Cash Flow Data:						
Net cash provided by operating activities	\$ 105,303	\$ 77,281	\$ 48,315	\$ 31,236	\$ 14,233	\$ 25,288
Net cash used in investing activities	(33,213)	(45,334)	(95,712)	(359,405)	(506,128)	(13,600)
Net cash provided by (used in) financing activities	74,410	(4,741)	(11,797)	366,165	569,585	1,567
Balance Sheet Data:						
Cash and cash equivalents	\$ 230,071	\$ 83,590	\$ 56,213	\$ 115,630	\$ 77,690	\$ 59,310
Working capital	225,463	102,534	87,681	65,141	27,736	60,754
Intangible assets, net	350,206	382,732	378,240	365,745	224,372	76,533
Goodwill	611,975	602,173	595,522	559,168	349,749	101,886
Total assets	1,296,811	1,160,150	1,137,412	1,125,627	706,368	289,640
Total stockholder's equity	838,962	828,151	788,462	626,056	323,240	237,927

(1) Includes the acquired assets and liabilities of Trouve Media, Inc. and InsWeb Corporation from respective dates of acquisition.

Table of Contents

(2) Includes the acquired stock of NetQuote Holdings, Inc. (owner of NetQuote) and CreditCards.com, Inc. (owner of CreditCards.com), and acquired assets and liabilities of InfoTrak National Data Services (owner of InfoTrak), Jim Wang Enterprises, LLC (owner of Bargaineer) and InsuranceQuotes.com Development, LLC (owner of InsuranceQuotes) from respective dates of the acquisition.

(3) Adjusted EBITDA represents net (loss) income adjusted for income taxes, interest, depreciation and amortization, change in fair value of contingent acquisition consideration, loss on extinguishment of debt, legal settlements, acquisition, offering and related expenses and related party fees, CEO transition costs, restructuring charges and stock-based compensation. Adjusted EBITDA is a supplemental measure of our performance and is not a measurement of our performance under GAAP and should not be considered as an alternative to net income or other performance measures derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. Management believes that the presentation of Adjusted EBITDA provides useful information to investors regarding our results of our operations because it assists in analyzing and benchmarking the performance and value of our business. Our determination of Adjusted EBITDA may differ from the way other companies may calculate Adjusted EBITDA. The following table reconciles the Company's net (loss) income to Adjusted EBITDA.

(In thousands)	Successor				Period	Predecessor
	2013	2012	2011	2010	from July 17, 2009 through December 31, 2009	Period from January 1, 2009 through August 24, 2009
Net (loss) income	\$ (10,002)	\$ 29,331	\$ (13,422)	\$ (21,397)	\$ (9,776)	\$ (34,644)
Interest and other expenses	24,981	25,771	31,786	38,701	12,093	30
Income tax (benefit) expense	(5,439)	7,497	5,588	(3,651)	(6,509)	(4,222)
Depreciation and amortization	60,127	52,854	43,536	35,226	9,789	8,294
Earnings before interest, taxes, depreciation and amortization (EBITDA)	69,667	115,453	67,488	48,879	5,597	(30,542)
Change in fair value of contingent liabilities	16,065	(2,645)	292	60	-	-
Loss on extinguishment of debt	17,175	-	16,629	-	-	-
Legal settlements	-	874	-	1,646	-	-
Acquisition, offering and related expenses and related party fees	50	335	44,248	17,390	4,936	34,562
CEO transition	6,802	-	-	-	-	-
Restructuring charges	-	-	1,272	3,288	-	-
Stock-based compensation (4)	12,148	9,120	5,509	-	-	22,514
Adjusted EBITDA	\$ 121,907	\$ 123,137	\$ 135,438	\$ 71,263	\$ 10,533	\$ 26,534

(4) Excludes \$5,812 related to CEO transition in 2013.

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

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

Introduction

Our Company

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

34

Table of Contents

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

We generate revenue through the sale of leads in the credit card and insurance vertical categories. Primarily through our CreditCards.com, Bankrate.com and CreditCardGuide.com brands, and through our affiliate networks, we provide leads to credit card issuers and principally record sales after the credit card issuers approve the leads' credit applications. Through our InsWeb, InsureMe and NetQuote brands, we sell leads to insurance agents and insurance carriers. We generate revenue on a per-lead basis based on the actual number of qualified insurance leads generated, and on a per-action basis for credit card applications (i.e., upon approval or completion of an application). Leads are generated not only organically through the Bankrate network of websites, but also through our various affiliate networks, via co-brands, and through marketing initiatives. We sell to advertisers targeting a specific audience in a city or state and also to national advertisers targeting the entire country.

Advertisers that are listed in our mortgage and deposit rate tables have the opportunity to hyperlink their listings or provide a phone number. Additionally, advertisers can buy hyperlinked placement within our qualified insurance listings. By clicking on the hyperlink, users are taken to the advertiser's website. We typically sell our hyperlinks on a per-click pricing model. Under this arrangement, advertisers pay Bankrate a specific, pre-determined cost each time a consumer clicks on that advertiser's hyperlink or calls the phone number (usually found under the advertiser's name in the rate or insurance table listings). All clicks are screened for fraudulent characteristics in accordance with IAB advertising standards by either an independent third party vendor (for our mortgage and deposit products) or internally (for our insurance products) and then charged to the customer's account.

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

Lead generation, display advertisements and click listings, which we refer to as online revenue, represented approximately 98% of our revenue for the fiscal years ended December 31, 2013 and 2012. We also derive revenue through the sale of print advertisements and the distribution (or syndication) of our editorial content, which we refer to as print publishing and licensing revenue.

Developments

The Company's results of operations during the fiscal year ended December 31, 2013, as compared to the fiscal year ended December 31, 2012, are impacted by the results of certain acquisitions. In particular, an acquisition made in the credit card vertical during the fiscal year ended December 31, 2012 had pre-acquisition revenue during that period of approximately \$20.8 million, which when comparing the results year over year would be deemed to be incremental in 2013. Management believes the incremental operating profit resulting from this acquisition, after allocation of certain expenses, is not material to the results of operations for the fiscal year ended December 31, 2013. In addition, during the fiscal year ended December 31, 2013 the Company acquired LeadKarma as part of its strategy to continue to improve in lead quality, conversion and ROI to our partners in the insurance vertical. Due to integration of LeadKarma and other strategic adjustments made to the business as part of the quality initiative, the net incremental revenue resulting from the LeadKarma acquisition is not determinable nor do we believe it was material to the overall

results of operations.

Acquisitions Fiscal Year 2013

During the fiscal year ended December 31, 2013, the Company acquired certain assets and liabilities of certain entities for an aggregate purchase price of \$31.5 million, including \$11.6 million in fair value of contingent acquisition consideration. These certain entities are individually and in the aggregate immaterial to the Company's net assets and operations. All acquisitions were accounted for as purchases and are included in the Company's consolidated results from their acquisition dates. The Company recorded \$9.8 million in goodwill and \$20.3 million in intangible assets related to these acquisitions consisting of \$11.7 million of trademarks and URLs, \$1.9 million of affiliate relationships and \$6.7 million of developed technology. The Company has not yet finalized the purchase accounting of one acquisition as it continues to analyze certain documents and amounts.

Acquisitions Fiscal Year 2012

During the fiscal year ended December 31, 2012, the Company acquired certain assets and liabilities of certain entities for an aggregate purchase price of \$52.7 million, including \$20.8 million in potential earn out consideration. These certain entities are

35

Table of Contents

individually and in the aggregate immaterial to the Company's net assets and operations. All acquisitions were accounted for as purchases and are included in the Company's consolidated results from their acquisition dates. The Company recorded \$6.7 million in goodwill and \$46.0 million in intangible assets related to these acquisitions consisting of \$33.7 million of trademarks and URLs, \$8.0 million of affiliate network, \$4.0 million of customer relationships and \$0.3 million of developed technology.

Acquisitions Fiscal Year 2011

During the year ended December 31, 2011, the Company acquired certain assets of InsWeb for \$64.3 million and certain other entities for an aggregate purchase price of \$25.5 million in cash. These certain other entities are individually and in the aggregate immaterial to the Company's net assets and operations. All acquisitions were accounted for as purchases and are included in the Company's consolidated results from their acquisition dates. Additionally, the Company paid \$576,000 in relation to contingent consideration for previously acquired entities.

The Company recorded \$35.6 million in goodwill and \$55.4 million in intangible assets related to these acquisitions consisting of agent relationships for \$2.3 million, customer relationships for \$19.0 million, developed technologies for \$1.4 million and internet domain names for \$32.7 million. We expect goodwill will be deductible for income tax purposes.

2011 Merger and Recapitalization

On June 21, 2011, Holdings merged with and into the Company with the Company surviving the merger ("2011 Merger"). In connection with the 2011 Merger, Holdings underwent an internal recapitalization in which all preferred and common shares of Holdings were exchanged for shares of a single series of common stock of Holdings (the "Recapitalization"). As a result of the Recapitalization and 2011 Merger, all preferred and common stock (other than restricted stock) of the Company were cancelled and all shares of common stock of Holdings were converted into common stock of the Company. Immediately following the Recapitalization and 2011 Merger, the Company had 87,500,000 shares of common stock issued and outstanding, including 120,135 shares of restricted stock. The surviving corporation in the 2011 Merger retained the name "Bankrate, Inc." The 2011 Merger was accounted for as a common control merger and in a manner similar to a pooling of interests. Accordingly, Holdings and Bankrate were consolidated retroactively to the earliest period presented, using the historical cost basis of each entity. The common stock, per common share, and increase in authorized share amounts in these consolidated financial statements and notes to consolidated financial statements have been presented to retroactively reflect these transactions to the earliest period presented.

Certain Trends Influencing Our Business

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

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

Key Initiatives

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

- increasing the visitor traffic to our online network;
- mobile traffic optimization and monetization;
- optimizing the revenue of our cost-per-thousand-impressions, cost-per-click and cost-per-approval models on our online network;
- revenue optimization associated with the new look, design and functionality of our mortgage and deposit cost-per-click as well as cost-per-call initiatives;
- enhancing search engine marketing and keyword buying to drive targeted impressions into our online network;

36

Table of Contents

- expanding our co-brand and affiliate footprint;
- broadening the breadth and depth of the personal finance content and products that we offer on our online network;
- continue the transition to a higher conversion lead model with a greater percentage of owned and operated traffic from a high volume third party lead model;
- further develop our mobile applications and optimize the consumer experience across different modes of accessing our online network;
- develop an ongoing relationship with our visitors;
- containing our costs and expenses; and
- continuing to integrate our acquisitions to maximize synergies and efficiencies.

Revenue

The amount of advertising we sell is a function of (1) the number of visitors to our online network and our affiliates' websites, (2) the number of ad pages we serve to those visitors, (3) the click through rate of visitors on hyperlinks, (4) the number of advertisements per page, (5) the rate at which consumers apply for and are approved for financial product offerings, and (6) advertiser demand.

Lead Generation Revenue

Lead generation revenue consists of cost-per-approval (CPA) and cost-per-lead (CPL) revenue. We generate revenue by delivering measurable online marketing results to our clients in the credit card and personal insurance vertical categories. These results are typically in the form of qualified leads, the outcomes of customers submitting an application for a credit card, or customers being contacted regarding a quote for a personal insurance product. These qualified leads are generated from our marketing activities on our websites or on third party websites with whom we have relationships.

Click and Call Revenue

We also sell hyperlinks (e.g., in our interest rate or insurance table listings) on our online network on a cost-per-click (CPC) and on a cost-per-call basis. We generate revenue upon delivery of qualified and reported click-throughs to our advertisers from a hyperlink in a rate or insurance rate table listing and qualified phone calls. These advertisers pay us a designated transaction fee for each click-through or phone call, which occurs when a user clicks on any of their advertisement listings or makes a phone call to the advertiser. Each phone call or click-through on an advertisement listing represents a completed transaction once it passes our filtering validation process.

Display Advertising Revenue

We sell display advertisements on our online network consisting primarily of leaderboards, banners, badges, islands, posters, and skyscraper advertisements on a cost-per-impression (CPM) basis. We typically charge for these advertisements based on the number of times the advertisement is displayed.

Print Publishing and Licensing Revenue

Print publishing and licensing revenue represent advertising revenue from the sale of advertising in our Mortgage Guide (formerly called the Consumer Mortgage Guide) and CD & Deposit Guide, rate tables, newsletter subscriptions, and licensing of research information.

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 website promotions.

Cost of Revenue (excludes depreciation and amortization)

Cost of revenue represents expenses directly associated with the creation of revenue. These costs include contractual revenue sharing obligations resulting from our distribution arrangements ("distribution payments"), salaries, editorial costs, market analysis and

37

Table of Contents

research costs, stock-based compensation expense, and allocated overhead. Distribution payments are made to website operators for visitors directed to our online network as well as to affiliates for leads directed to our online network and lead generation websites. These costs increase proportionately with gains related to revenue from our online network and lead generation websites. 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 websites 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 along with allocated overhead.

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

Operating Expenses

Sales

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

Marketing

Marketing expenses represent expenses associated with expanding brand awareness of our products and services to consumers and include search engine marketing (“SEM”) expense, print and Internet advertising, marketing and promotion costs including email marketing and telephone marketing, and stock-based compensation expense.

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 stock-based compensation expense.

General and Administrative

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

Acquisition, Offering and Related Expenses and Related Party Fees

Acquisition, offering and related expenses and related party fees represent direct expenses incurred as a result of the Bankrate Acquisition, expenses related to our acquisitions, fees associated with our various offerings (the June 2011 Initial Public Offering, the Senior Secured Notes exchange offer, the December 2011 Secondary Offering, etc.) and advisory fees to our shareholders. Related party fees are described in Note 14 of the Notes to Consolidated Financial Statements.

Depreciation and Amortization

Depreciation and amortization expense includes the cost of capital asset acquisitions spread over their expected useful lives. These expenses are spread over 1 to 25 years and are calculated mostly 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 acquisition method of accounting. The amortization periods for intangible assets are as follows:

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

38

Table of Contents

Interest and Other Expenses, Net

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

Income Tax (Benefit) Expense

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

Critical Accounting Policies

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the period. We base our judgments, estimates and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. 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 revenue recognition, income taxes, the allowance for doubtful accounts receivable, stock-based compensation, useful lives of intangible assets and intangible asset impairment, goodwill impairment, acquisition accounting including the fair value of contingent acquisition consideration, 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 Note 2 to our consolidated financial statements included in this Annual Report.

Allowance for Doubtful Accounts

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, 2013, 2012 and 2011 we charged approximately \$604,000, \$840,000 and \$2.7 million, respectively, to bad debt expense. During the year ended December 31, 2013, 2012 and 2011 we wrote off (net of recoveries) approximately \$642,000, \$1.7 million and \$2.1 million.

Goodwill Impairment

In accordance with ASC 350, Intangibles—Goodwill and Other, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (a likelihood of more than 50%) that the fair value of our reporting unit is less than its carrying amount. We have determined that we have

one segment and one reporting unit. We perform this assessment annually, on October 1st of each year, or more frequently, if facts and circumstances warrant a review, at the reporting unit level. If after assessing the qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than the carrying value then we conclude that we have no goodwill impairment and no further testing is performed, otherwise, we proceed to the two-step process. The first step under the two step process, since the carrying amount of our reporting unit is greater than zero, is to compare the fair value of the reporting unit 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. Our impairment evaluations are based on the Company's single operating segment and reporting unit structure. We performed impairment evaluations in each period presented and concluded that there was no impairment of goodwill.

Impairment of Long-Lived Assets including intangible assets with finite lives

ASC 360, Property, Plant and Equipment, requires that long-lived assets including intangible assets with finite lives be amortized over their estimated useful life and reviewed for impairment. We continually monitor events and changes in circumstances that could

Table of Contents

indicate carrying amounts of our long-lived assets including intangible assets with finite lives may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of such assets by determining whether the carrying value will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of such assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

We performed impairment evaluations in 2013 and 2012, and concluded that there was no impairment of long lived assets including intangible assets with finite lives.

Acquisition Accounting

We completed the acquisition of numerous businesses and websites between 2011 and 2013. The acquisition 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. We applied ASC 805, Business Combinations to all business combinations.

Contingencies

As discussed in Note 11 to our consolidated financial statements, included elsewhere in this Annual Report, various 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 in Note 11, 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.

Revenue Recognition

Online advertising is the sale of advertising, sponsorships, hyperlinks, and lead generation within our online network through our owned and operated sites, such as Bankrate.com, CreditCards.com, Interest.com, CreditCardGuide.com, InsuranceQuotes.com, CarInsurance Quotes.com and AutoInsuranceQuotes.com. The print publishing and licensing business is primarily engaged in the sale of advertising in the Mortgage Guide and CD & Deposit Guide rate tables, newsletter subscriptions, and licensing of research information.

Display Advertising Revenue

Display advertising sales are invoiced monthly at amounts based on specific contract terms predominantly based on the number of impressions actually delivered to the advertiser.

Click and Call Revenue

We recognize click and call revenue monthly for each link based on the number of clicks at the cost-per-click contracted for during an auction bidding process for our insurance products and at a fixed cost-per-click-for our mortgage and deposit products. Additionally, we recognize revenue based on the number of calls at a contracted rate per-call.

Lead Generation Revenue

For the insurance vertical, we recognize revenue on a per-lead basis. For the credit card vertical, we recognize revenue on a per-action basis. We have also entered into revenue sharing arrangements with our vertical content partners based on the revenue earned from their leads.

Revenue is recorded at gross amounts and partnership payments are recorded in cost of revenue, pursuant to the provisions of ASC Topic 605-45, Reporting Revenue Gross as a Principal versus Net as an Agent.

40

Table of Contents

Print Publishing and Licensing Revenue

We charge for placement in the Mortgage Guide and CD & Deposit Guide in a print publication. Advertising revenue is recognized when the Mortgage Guide and CD & Deposit Guide 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.

Revenue for distributing editorial rate tables is recognized ratably over the contract or subscription periods.

Stock-Based Compensation

We use the Black-Scholes option pricing model to determine the fair value of our stock options. The determination of the fair value of the awards on the date of grant using an option-pricing model was affected by the price of our common stock, as well as assumptions regarding a number of complex and subjective variables.

These variables included 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 the estimated forfeiture rate.

We estimated the expected term of outstanding stock options by taking the average of the vesting term and the contractual term of the option, as illustrated in ASC 718, Compensation—Stock Compensation. We used the simplified method to estimate the expected term for employee stock option grants as adequate historical experience was not available to provide a reasonable estimate. We estimated the volatility of our common stock by using an average of historical stock price volatility of publicly traded entities that are considered peers to Bankrate in accordance with ASC 718. The decision to use a weighted average volatility factor of a peer group was based upon the relatively short period of availability of data on actively traded options on our common stock. We based the risk-free interest rate used in the option pricing model on U.S. Treasury constant maturity issues having remaining terms similar to the expected terms of the options. We did 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 were required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We used historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that were expected to vest. All stock-based payment awards were amortized on a straight-line basis over the requisite service periods, which was generally the vesting period.

If factors had changed and we had employed different assumptions for estimating stock-based compensation expense in future periods or if we had decided to use a different valuation model, the future periods may have differed significantly from what we recorded in the current period and could have materially affected our results.

Income Tax Expense (Benefit)

We account for income taxes in accordance with Accounting Standards Codification (“ASC”) 740, Income Taxes. 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 varies, adjustments to the carrying value of the deferred tax assets and liabilities may be required. Valuation allowances are based on the “more likely than not” criteria of ASC 740.

The accounting for uncertain tax positions guidance under ASC 740 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. We recognize interest and penalties on uncertain tax positions as a component of income tax expense. If our assessment of whether a tax position meets or no longer meets the more-likely-than-not threshold were to change, adjustments to income tax benefits may be required.

Results of Operations

The following is our analysis of the results of operations for the periods covered by our financial statements. This analysis should be read in conjunction with our financial statements, including the related notes to the financial statements. A detailed discussion of our accounting policies and procedures is set forth in the applicable sections of this analysis. Other accounting policies are contained in Note 2 to the consolidated financial statements.

Table of Contents

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

Statement of Operations Data:	Fiscal year ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Revenue	100%	100%	100%
Cost of revenue (excludes depreciation and amortization)	33%	32%	34%
Gross margin	67%	68%	66%
Operating expenses:			
Sales	3%	4%	3%
Marketing	25%	28%	20%
Product development	4%	4%	4%
General and administrative	12%	8%	9%
Legal settlements	0%	0%	0%
Acquisition, offering and related expenses	0%	0%	10%
Restructuring charges	0%	0%	0%
Changes in fair value of contingent acquisition consideration	4%	(1%)	0%
Depreciation and amortization	13%	11%	11%
Income from operations	61%	54%	57%
Interest and other expenses, net	6%	14%	9%
Loss on early extinguishment of debt	5%	6%	7%
	4%	0%	4%
(Loss) income before taxes	(3%)	8%	(2%)
Income tax (benefit) expense	(1%)	2%	1%
Net (loss) income	(2%)	6%	(3%)

Revenue

(In thousands)	Fiscal year ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Online (1)	\$ 450,082	\$ 449,061	\$ 416,021
Print publishing	7,350	8,103	8,179
Total revenue	\$ 457,432	\$ 457,164	\$ 424,200

(1) Consists of display advertising, click and call and lead generation.

Cost of Revenue (excludes depreciation and amortization) and
Gross Margin

(In thousands)	Fiscal year ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Revenue	\$ 457,432	\$ 457,164	\$ 424,200
Cost of revenue	151,050	146,357	143,710
Gross margin	\$ 306,382	\$ 310,807	\$ 280,490
Gross margin as a percentage of revenue	67%	68%	66%

42

Table of Contents

Fiscal Year Ended December 31, 2013 Compared to Fiscal Year Ended December 31, 2012

Revenue

Total revenue was \$457.4 million and \$457.2 million for the fiscal years ended December 31, 2013 and 2012, respectively, representing an increase of 0%, due to the reasons set forth below.

Total lead revenue increased by \$4.9 million for the fiscal year ended December 31, 2013 compared to the same period in 2012. Per approved lead (cost-per-approval or CPA) revenue increased by approximately 39% as a result of strong credit card issuer marketing activities. This was partially offset by a decline in per application (cost-per-lead or CPL) revenue of approximately 29%. The decline in CPL revenue was due to the Company's quality initiative to substantially reduce lower quality affiliate leads and boost the overall quality and conversion of its insurance products, which the Company took further significant steps for during the second half of 2012 and continued through 2013. This ongoing initiative has resulted in higher lead conversion rates, increased carrier and agent demand and improved monetization in the back half of 2013.

Click and Call revenue (cost-per-click or CPC) decreased by \$7.0 million for the fiscal year ended December 31, 2013 compared to the same period in 2012, due to a decrease in the number of clicks and calls (\$17.8 million impact) and an increase in the overall rate (\$10.7 million impact). Both the decline in number of clicks and the increase in monetization is primarily attributable to the quality initiative we undertook in the insurance vertical whereby we cut lower quality sources to improve the overall quality of the products we sold resulting in increased monetization as our customers are willing to pay more for higher quality. The fluctuation was also impacted by a reduction in mortgage refinancing traffic offset by higher pricing on mortgage and deposit clicks as a result of a price increase.

Display advertising revenue (cost-per-impression or CPM) increased by \$2.8 million for the fiscal year ended December 31, 2013 compared to the same period in 2012, which was driven by an increase in sold impressions (\$9.7 million impact), offset by a decrease in cost per impressions yield per page (\$6.9 million impact). The decline in yield is the result of a change in the blended mix of ads sold.

Cost of Revenue (excludes depreciation and amortization) and Gross Margin

Cost of revenue for the fiscal year ended December 31, 2013 of \$151.1 million was \$4.7 million higher than the same period in 2012. The Company incurred \$1.1 million more in distribution payments to our online partners and affiliates as a result of higher online revenue on affiliate sites, \$2.1 million in higher outside labor costs and \$924,000 in higher compensation. Our gross margin for the fiscal year ended December 31, 2013 was 67%, compared to 68% for the same period in 2012. The slight decline is a result of the change in mix of revenues among our product verticals as well as an increase in affiliate revenue in our credit card vertical.

Operating Expenses

Sales

Sales expenses for the fiscal year ended December 31, 2013 of \$15.1 million were approximately \$1 million lower than the same period in 2012, primarily due to \$290,000 in lower compensation, \$878,000 in lower contract labor costs and \$307,000 in lower facility costs, partially offset by \$381,000 in higher stock-based compensation expense.

Marketing

Marketing expenses for the fiscal year ended December 31, 2013 of \$113.5 million were \$12.7 million lower than the same period in 2012. The decrease is due to the Company incurring \$14.1 million in lower paid marketing expense primarily attributed to a reduction in third-party e-mail spend as part of the overall quality improvement initiative in our insurance vertical. As part of the initiative, the Company directed its efforts on improving monetization through its own internal direct search (SEM) programs, where spend remained relatively flat year over year. The decrease in paid marketing expense is partially offset by \$771,000 in higher compensation largely resulting from increased incentive compensation and \$308,000 in higher stock-based compensation expense.

Product Development

Product development costs for the fiscal year ended December 31, 2013 of \$18.7 million were approximately \$1.7 million higher than the comparable period in 2012, primarily due to \$911,000 in higher compensation largely resulting from increased incentive compensation, higher outside labor costs of \$416,000 and higher stock-based compensation expense of \$174,000.

Table of Contents

General and Administrative

General and administrative expenses for the fiscal year ended December 31, 2013 of \$56.1 million were \$18.7 million higher than the same period in 2012, due primarily to increases of \$7.6 million in compensation largely resulting from increased incentive compensation as the Company achieved performance targets in 2013, \$12.4 million in stock-based compensation of which \$5.8 million relates to the modification of awards in connection with the CEO transition, \$858,000 in facility costs and \$432,000 in outside labor costs.

Acquisition, Offering and Related Expenses and Related Party Fees

Acquisition, offering and related expenses and related party fees for the fiscal year ended December 31, 2013 were \$50,000 as compared to \$335,000 for the same period in 2012. Acquisition, offering and related expenses and related party fees for the fiscal year ended December 31, 2013 were primarily related to direct legal costs incurred related to our asset acquisitions. The acquisition, offering and related expenses and related party fees for the fiscal year ended December 31, 2012 were primarily related to the adjustment of over accrued estimates recorded in 2011 for costs incurred in connection with our Initial Public Offering, Secondary Offering and transition services for the InsWeb acquisition.

Change in Fair Value of Contingent Acquisition Consideration

Change in fair value of contingent acquisition consideration for the fiscal year ended December 31, 2013 was an increase of \$16.1 million compared to a decrease of \$2.6 million for the same period in 2012 as a result of better than expected results of acquired businesses.

Depreciation and Amortization

Depreciation and amortization expense for the fiscal year ended December 31, 2013 of \$60.1 million was \$7.3 million higher than the same period in 2012 due to a \$6.1 million increase in amortization expense resulting primarily from intangibles acquired during the year ended December 31, 2013 and full year amortization of intangibles acquired during the year ended December 31, 2012.

Interest and Other Expenses, net

Interest and other expenses, net for the fiscal year ended December 31, 2013 primarily consists of expenses associated with the Senior Notes and the Senior Secured Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the fiscal year ended December 31, 2013 was \$25.0 million, which primarily consisted of \$7.3 million of interest on the Senior Notes, \$14.8 million of interest on the Senior Secured Notes and \$2.5 million for amortization of deferred financing costs and original issue discounts on the Senior Notes, the Senior Secured Notes, the New Credit Agreement and Revolving Credit Facilities. This was partially offset by de minimis interest and other income.

Interest and other expenses, net for the fiscal year ended December 31, 2012 was \$25.8 million, which primarily consisted of \$22.9 million for the Senior Secured Notes, and \$2.5 million of amortization of deferred financing costs on the Senior Secured Notes and line of credit and original issue discount on the Senior Secured Notes, partially offset by de minimis interest earned on cash and cash equivalents.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt for the fiscal year ended December 31, 2013 was \$17.2 million as compared to zero for the year ended December 31, 2012 for the early extinguishment of \$195 million of Senior Secured Notes in 2013.

Income Tax (Benefit) Expense

Our income tax benefit for the fiscal year ended December 31, 2013 of \$5.4 million was \$12.9 million lower than our income tax expense of \$7.5 million for the fiscal year ended December 31, 2012. Our effective tax rate changed from approximately 20% during the fiscal year ended December 31, 2012 to approximately 35% in the same period in 2013 due to a tax benefit resulting from an IRS settlement and related reversals of uncertain tax positions during the fiscal year ended December 31, 2012. The IRS settlement did not impact the effective tax rate of 2013.

Table of Contents

Fiscal Year Ended December 31, 2012 Compared to Fiscal Year Ended December 31, 2011

Revenue

Total revenue was \$457.2 million and \$424.2 million for the years ended December 31, 2012 and December 31, 2011, respectively, representing an increase of 7.8% due to the reasons set forth below.

Per approved lead and per application revenue decreased by \$17.1 million for the fiscal year ended December 31, 2012 compared to the same period in 2011. The overall decrease consisted of a blend of insurance lead revenue increasing by approximately 6% while card product revenue decreased by approximately 16%, as a result of a decline in marketing activities and spend on the part of the credit card issuers. In addition, the Company moved to substantially further reduce lower quality affiliate insurance leads during the second half of 2012 and boost the overall quality and conversion of its insurance products. Although insurance lead revenue was up by approximately 6% for the entire year, these actions led to a decline in insurance lead revenue towards the end of the year. The Company believes these actions will benefit the Company over time through carrier and agent growth resulting from higher quality products, which we believe will drive higher monetization and growth in the business.

Hyperlink revenue increased by \$43.4 million for the year ended December 31, 2012 compared to the same period in 2011, due to an increase in the number of clicks (\$29.9 million impact) and an increase in the overall rate (\$13.5 million impact). The growth in click volume was across all products including insurance, mortgage and deposits. The increase in the overall rate was driven primarily by increased rates in mortgage and deposit products.

Display advertising revenue increased by \$6.8 million for the year ended December 31, 2012 compared to the same period in 2011, which was driven by an increase in sold impressions (\$6.6 million impact), and an increase in cost per impressions yield per page (\$200,000 impact).

Cost of Revenue (excludes depreciation and amortization) and Gross Margin

Cost of revenue for the year ended December 31, 2012 of \$146.4 million was \$2.6 million higher than the same period in 2011. The Company incurred \$1.6 million more in distribution payments to our online partners and affiliates as a result of higher online revenue on affiliate sites and \$898,000 in higher compensation. The Company also incurred \$599,000 for stock-based compensation expense for the fiscal year ended December 31, 2012 and \$445,000 for the same period in 2011. Our gross margin for the year ended December 31, 2012 was 68%, compared to 66% for the year ended December 31, 2011, increasing primarily due to the higher share of direct traffic to insurance lead business and growth in margin in cost-per-click and display business.

Operating Expenses

Sales

Sales expenses for the year ended December 31, 2012 of \$16.1 million were \$3.1 million higher than the same period in 2011, primarily due to \$1.2 million increase in compensation and \$902,000 in higher contract labor costs, and, and \$488,000 in higher stock-based compensation expense.

Marketing

Marketing expenses for the year ended December 31, 2012 of \$126.2 million, were \$40.2 million higher than the same period in 2011. The increase is due to the Company incurring an additional \$38.1 million in SEM expense to drive higher online revenue, \$863,000 in higher compensation and \$493,000 in higher stock-based compensation expense.

Product Development

Product development costs for the year ended December 31, 2012 of \$17.0 million were \$2.2 million higher than the comparable period in 2011, primarily due to \$1.9 million in higher compensation and \$507,000 of stock-based compensation offset by lower outside labor costs of \$237,000.

General and Administrative

General and administrative expenses for the year ended December 31, 2012 of \$37.4 million, were \$769,000 higher than the same period in 2011, due primarily to increases of \$3.5 million in professional fees, \$2.0 million in stock-based compensation, \$792,000 in

Table of Contents

bank fees and insurance premiums and \$504,000 in business taxes, offset by decreases of \$4.7 million in compensation primarily related to incentive compensation and \$1.8 million in bad debt expense.

Acquisition, Offering and Related Expenses and Related Party Fees

Acquisition, offering and related expenses and related party fees for the year ended December 31, 2012 was \$335,000 as compared to \$44.2 million for the same period in 2011. Acquisition, offering and related expense and related party fees for the year ended December 31, 2012 were primarily related to the adjustment of over accrued estimates recorded in 2011 for costs incurred in connection with our Initial Public Offering, Secondary Offering and transition services for the InsWeb acquisition. The acquisition, offering and related expenses and related party fees for the same period in 2011 were primarily related to costs associated with our Initial Public Offering, Secondary Offering, the acquisition of InsWeb and advisory fees to shareholders.

Restructuring Costs

There were no restructuring costs incurred for the fiscal year ended December 31, 2012 compared to \$1.3 million incurred during the year ended December 31, 2011, incurred as a result of terminating and relocating employees primarily related to the acquisition of InsWeb.

Change in Fair Value of Contingent Acquisition Consideration

Change in fair value of contingent acquisition consideration for the fiscal year ended December 31, 2012 was a decrease of \$2.6 million compared to an increase of \$292,000 for the same period in 2011 as a result of lower than expected results of acquired businesses.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2012 of \$52.9 million was \$9.3 million higher than the same period in 2011 due to a \$7.8 million increase in amortization expense resulting from intangibles acquired during the year ended December 31, 2012.

Interest and Other Expenses, net

Interest and other expenses, net for the fiscal year ended December 31, 2012 primarily consists of expenses associated with the Senior Secured Notes, partially offset by other income and de minimis interest earned on cash and cash equivalents. Interest and other expenses, net for the fiscal year ended December 31, 2012 was \$25.8 million, which primarily consisted of \$22.9 million for the Senior Secured Notes and \$2.5 million for amortization of deferred financing costs on the Senior Secured Notes and line of credit and original issue discount on the Senior Secured Notes, partially offset by de minimis interest and other income.

Interest and other expenses, net for the year ended December 31, 2011 was \$31.8 million, which primarily consisted of \$29.1 million for the Senior Secured Notes, and \$2.7 million of amortization of deferred financing costs and original issue discount partially offset by de minimis interest earned on cash and cash equivalents.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt for the fiscal year ended December 31, 2012 was zero as compared to \$16.6 million for the year ended December 31, 2011 for the early extinguishment of \$105 million of Senior Secured Notes.

Income Tax Expense

Income tax expense for the fiscal year ended December 31, 2012 of \$7.5 million was \$1.9 million higher than our income tax expense of \$5.6 million for the fiscal year ended December 31, 2011. Our effective tax rate changed from approximately (71)% during the year ended December 31, 2011 to approximately 20% in the same period in 2012 due to a tax benefit resulting from an IRS settlement and related reversals of uncertain tax positions during the fiscal year ended December 31, 2012 compared to non-deductible costs and accruals for uncertain tax positions incurred during the fiscal year ended December 31, 2011.

Liquidity and Capital Resources

Table of Contents

	December	December	
(In thousands)	31, 2013	31, 2012	Change
Cash and cash equivalents	\$ 230,071	\$ 83,590	\$ 146,481
Working capital	\$ 225,463	\$ 102,534	\$ 122,929
Stockholders' equity	\$ 838,962	\$ 828,151	\$ 10,811

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

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

As of December 31, 2013, we had working capital of \$225.5 million and our primary commitments were normal working capital requirements and \$7.4 million in accrued interest for the Senior Notes. In addition, we have commitments for potential earn out obligations related to past acquisitions totaling \$38.8 million as of December 31, 2013.

As of December 31, 2012, we had working capital of \$102.5 million and our primary commitments were normal working capital requirements and \$10.6 million in accrued interest for the Senior Secured Notes. In addition, we have commitments for potential earn out obligations related to past acquisitions totaling \$17.2 million as of December 31, 2012.

We assess acquisition opportunities as they arise. Financing may be required if we decide to make additional acquisitions or if we are required to make any 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 or at all when required.

Debt Financing

Revolving Credit Facility

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

As of December 31, 2013, we had no amount outstanding under the Revolving Credit Facility and we were in compliance with all required covenants.

Senior Notes

As of December 31, 2013, we had \$300.0 million in Senior Notes outstanding for which interest is accrued daily on the outstanding principal amount at 6 1/8% and is payable semi-annually, in arrears, on February 15th and August 15th in cash. The Senior Notes are due August 15, 2018. Accrued interest on the Senior Notes as of December 31, 2013 is approximately \$7.4 million. Refer to Note 12 in the Notes to Consolidated Financial Statements for a further description of the Senior Notes.

Operating Activities

During the fiscal year ended December 31, 2013, operating activities provided cash of \$105.3 million compared to \$77.3 million for the same period in 2012. The increase is due primarily to net cash refunded for taxes in 2013 of \$10.9 million compared to net cash paid for taxes in 2012 of \$19.7 million, a net increase of \$30.6 million. This was partially offset by an increase in cash paid for interest of \$2.5 million and a decrease of \$6.1 million in net income excluding non-cash charges (primarily depreciation and amortization, deferred income taxes, stock-based compensation, losses on early extinguishment of debt and changes in fair value of contingent acquisition consideration).

During the fiscal year ended December 31, 2012, operating activities provided cash of \$77.3 million compared to \$48.3 million for the same period in 2011. The increase is due primarily to a decrease in interest paid of \$11.9 million and an increase of \$32.5 million in

Table of Contents

net income excluding non-cash charges (primarily depreciation and amortization, provision for doubtful accounts, deferred income taxes, stock-based compensation, losses on early extinguishment of debt and changes in fair value of contingent consideration). This was partially offset by an increases in taxes paid of \$19.9 million.

Investing Activities

For the fiscal year ended December 31, 2013, cash flows used in investing activities was \$33.2 million compared to \$45.3 million for the same period in 2012. The decrease is due primarily to a decrease of \$9.3 million of cash used for business acquisitions and a decrease of \$2.5 million of cash used for purchases of furniture, fixtures, equipment and capitalized website development costs.

For the year ended December 31, 2012, cash flows used in investing activities was \$45.3 million compared to \$95.7 million for the same period in 2011. The decrease is due primarily to a decrease of \$58.1 million of cash used for business acquisitions, offset by an increase of \$7.5 million of cash used for purchases of furniture, fixtures, equipment and capitalized website development costs.

Financing Activities

For the fiscal year ended December 31, 2013, cash provided by financing activities was \$74.4 million compared to cash used in financing activities of \$4.7 million for the same period in 2012. The change is due primarily to proceeds of \$300.0 million from the issuance of the Senior Notes, less \$11.9 million for underwriting fees and direct costs related to the issuance of such notes, and \$2.8 million in proceeds from the issuance of common stock, partially offset by \$209.0 million of cash used for the early redemption of the Senior Secured Notes in 2013. Additionally, there was an increase of \$1.4 million in cash proceeds from the issuance of common stock and a decrease of \$1.9 million of cash used for acquisition earn outs and contingent liabilities.

For the year ended December 31, 2012, cash flows used in financing activities was \$4.7 million, compared to \$11.8 million for the same period of 2012. The decrease is due primarily to a decrease in proceeds from the issuance of common stock of \$168.8 million, a decrease of \$5.1 in cash paid for acquisition earnouts and contingent acquisition consideration offset by additional payments of \$117.3 million for repurchases of long term debt and \$61.3 million in payments to dissenting shareholders that was only made in 2011.

Contractual Obligations

The following table represents the amounts due under the specified types of contractual obligations as of December 31, 2013:

(In thousands)	Payments			More	Total
	Due Less One to	Three	Three to	Than	
	Year	Years	Five Years	Five	
Capital lease obligations	\$ 135	\$ 17	\$ -	\$ -	\$ 152
Operating lease obligations (1)	3,319	6,147	1,780	1,133	12,379
Purchase obligations (2)	349	1	-	-	350

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

Long-term debt (3)	18,638	37,276	337,210	-	393,124
	\$ 22,441	\$ 43,441	\$ 338,990	\$ 1,133	\$ 406,005

(1) Includes our obligations under existing operating leases.

(2) Represents base contract amounts for Internet hosting, co-location, content distribution and other infrastructure costs.

(3) Represents interest and principal payments on the Notes and commitment fees on the Revolving Credit Facility.

Additionally as of December 31, 2013, we have approximately \$10.4 million and \$2.5 million accrued for uncertain tax positions, excluding estimated interest and penalties, included in other liabilities and current deferred tax assets, respectively, as we cannot determine when (or if) any tax payments will ultimately be paid. We also have approximately \$24.5 million in other current liabilities and \$14.2 million in other liabilities accrued for contingent acquisition consideration as of December 31, 2013.

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.

Table of Contents

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, 2013, all of our cash equivalents mature in less than three months.

None of our outstanding debt as of December 31, 2013 was subject to variable interest rates as we did not have an outstanding balance for borrowed money under our Revolving Credit Facility as of December 31, 2013. Interest under the Revolving Credit Facility accrues at variable rates based, at our option, on the alternate base rate (as defined in the Revolving Credit Facility) plus a margin of 3.00% or at the adjusted LIBO rate (as defined in the Revolving Credit Facility) plus a margin of 2.00%. Our fixed interest rate debt includes \$300 million of the Senior Notes in the aggregate principal amount.

Exchange Rate Sensitivity

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

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

PAGE

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	51
<u>Consolidated Balance Sheets as of December 31, 2013 and 2012</u>	54
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2013, 2012 and 2011</u>	55
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2013, 2012 and 2011</u>	56
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011</u>	57
<u>Notes to Consolidated Financial Statements</u>	58

50

Table of Contents

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 Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2014 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Fort Lauderdale, Florida
February 27, 2014

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Bankrate, Inc.

We have audited the internal control over financial reporting of Bankrate, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company’s internal control over financial reporting does not include internal control over financial reporting of LeadKarma, whose assets and operations were purchased from LeadKarma LLC in 2013, and whose financial records reflect total assets and revenues constituting 1% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013. As indicated in Management’s Report, LeadKarma was acquired during the third quarter of 2013 and therefore management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting for these assets and operations.

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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by

COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated March 1, 2013 expressed an unqualified opinion on those financial statements.⁴
/s/ Grant Thornton LLP

Fort Lauderdale, Florida
February 27, 2014

52

Table of Contents

Management's Report on Internal Control Over Financial Reporting

Bankrate's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Bankrate's management assessed the effectiveness of Bankrate's internal control over financial reporting as of December 31, 2013 based on the framework in the 1992 Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of the assessment, Bankrate's management concluded that Bankrate's internal control over financial reporting was effective as of December 31, 2013.

The scope of management's assessment of the effectiveness of our internal controls over financial reporting included all of our consolidated operations except for the operations of LeadKarma, which we acquired in the third quarter of 2013. LeadKarma's operations represented approximately 1% of our consolidated total assets and approximately 3% of our consolidated net revenues as of and for the year ended December 31, 2013.

The effectiveness of Bankrate's internal control over financial reporting as of December 31, 2013 has been audited by Grant Thornton LLP, Bankrate's independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

/s/ Kenneth S. Esterow/s/ Edward J. DiMaria

Kenneth S. EsterowEdward J. DiMaria

President and Chief Executive OfficerSenior Vice President – Chief Financial Officer

February 27, 2014February 27, 2014

Table of Contents

Bankrate, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 230,071	\$ 83,590
Accounts receivable, net of allowance for doubtful accounts of \$620 and \$658 at December 31, 2013 and December 31, 2012	61,962	52,598
Deferred income taxes	7,155	3,763
Prepaid expenses and other current assets	9,736	13,691
Total current assets	308,924	153,642
Furniture, fixtures and equipment, net of accumulated depreciation of \$19,690 and \$12,851 at December 31, 2013 and December 31, 2012	12,930	10,024
Intangible assets, net of accumulated amortization of \$181,721 and \$128,366 at December 31, 2013 and December 31, 2012	350,206	382,732
Goodwill	611,975	602,173
Other assets	12,776	11,579
Total assets	\$ 1,296,811	\$ 1,160,150
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable	7,149	8,227
Accrued expenses	40,546	22,033
Deferred revenue and customer deposits	3,792	3,861
Accrued interest	7,379	10,588
Other current liabilities	24,595	6,399
Total current liabilities	83,461	51,108
Deferred income taxes	51,699	64,482
Long term debt, net of unamortized discount	297,021	193,943
Other liabilities	25,668	22,466
Total liabilities	\$ 457,849	\$ 331,999

Commitments and contingencies (Note 9)

Stockholders' equity		
Common stock, par value \$.01 per share - 300,000,000 shares authorized at December 31, 2013 and December 31, 2012; 101,749,513 shares and 100,097,969 shares issued at December 31, 2013 and December 31, 2012; 101,698,985 shares and 100,047,441 shares outstanding at December 31, 2013 and December 31, 2012	1,017	1,000
Additional paid-in capital	864,152	843,393
Accumulated deficit	(25,266)	(15,264)
Less: Treasury stock, at cost - 50,528 shares at December 31, 2013 and December 31, 2012	(591)	(591)
Accumulated other comprehensive loss	(350)	(387)
Total stockholders' equity	838,962	828,151
Total liabilities and stockholders' equity	\$ 1,296,811	\$ 1,160,150

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

Table of Contents

Bankrate, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(In thousands, except share and per share data)

	Fiscal year ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Revenue	\$ 457,432	\$ 457,164	\$ 424,200
Cost of revenue (excludes depreciation and amortization)	151,050	146,357	143,710
Gross margin	306,382	310,807	280,490
Operating expenses:			
Sales	15,067	16,114	12,980
Marketing	113,478	126,222	86,053
Product development	18,746	17,023	14,866
General and administrative	56,134	37,431	36,662
Legal settlements	-	874	-
Acquisition, offering and related expenses	50	335	44,248
Restructuring charges	-	-	1,272
Changes in fair value of contingent acquisition consideration	16,065	(2,645)	292
Depreciation and amortization	60,127	52,854	43,536
	279,667	248,208	239,909
Income from operations	26,715	62,599	40,581
Interest and other expenses, net	24,981	25,771	31,786
Loss on early extinguishment of debt			