Care.com Inc
Form 10-Q/A
May 09, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
(Amendment No. 1)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number: 000-24821

Care.com, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-578-5879
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
77 Fourth Avenue, Fifth Floor Waltham, MA	02451
(Address of principal executive offices)	(Zip Code)

(781) 642-5900
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.001	The New York Stock Exchange

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

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 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 [x] 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 [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 2, 2018, there were 30,946,445 shares of the registrant's common stock, $0.001 par value, outstanding.

EXPLANATORY NOTE

On May 8, 2018, Care.com, Inc. (the “Company”) filed a Quarterly Report on Form 10-Q (the “Report”) with the Securities and Exchange Commission to report the Company’s financial results for the first quarter ended on March 31, 2018. This Amendment No. 1 to the Report amends and restates Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations" to correct the understated number of Paying families - U.S. Consumer Business as of March 31, 2018 and the related disclosure regarding period-over-period growth of this metric in the section entitled "Key Business Metrics." The remainder of the Report remains unchanged.
Except as described above, no changes have been made to the Report. Except as otherwise indicated herein, this Amendment No. 1 continues to speak as of the date of the Report, and the Company has not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Report. Accordingly, this Amendment No. 1 should be read in conjunction with the Report, and any filings made with the SEC subsequent to the filing of the Report.

PART I

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 30, 2017, filed on March 9, 2017. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties. You should review the “Risk Factors” section of this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from our expectations.
Overview
We are the world’s largest online marketplace for finding and managing family care. We have more than 28.4 million members, including 16.2 million families and 12.2 million caregivers, spanning over 20 countries. We help families address their particular lifecycle of care needs, which may include child care, senior care, special needs care and other non-medical family care needs such as pet care, tutoring and housekeeping. In the process, we also help caregivers find rewarding full-time and part-time employment opportunities.
Our consumer matching solutions allow families to search for, qualify, vet, connect with and ultimately select caregivers in a low-cost, reliable and easy way. We also provide caregivers with solutions to create personal profiles, describe their unique skills and experience, and otherwise differentiate and market themselves in a highly fragmented marketplace.
In addition to our consumer matching solutions, we offer our members innovative products and services to facilitate their interaction with caregivers. We provide solutions intended to improve both the ease and reliability of the care relationship in the home. One product area we are particularly focused on is payments solutions. Through Care.com HomePay, families can subscribe to payroll and tax preparation services for domestic employees. This offering deepens our relationship with our members and could enhance the lifetime value associated with each member.
We also serve employers by providing access to certain of our products and services to employer-sponsored families. In addition, we serve care-related businesses—such as day care centers, nanny agencies and home care agencies—who wish to market their services to our care-seeking families and recruit our caregiver members. These businesses improve our member experience by providing additional caregiving choices for families and employment opportunities for caregivers.
We have experienced steady growth in revenue and members. Our members increased to 28.4 million as of March 31, 2018 from 24.0 million as of April 1, 2017, representing a 18% annual growth rate. Our revenue has increased to \$47.3 million for the three months ended March 31, 2018 from \$43.4 million for the three months ended April 1, 2017. We experienced net income of \$2.7 million and \$0.8 million in the three months ended March 31, 2018 and

April 1, 2017, respectively.

Key Business Metrics

In addition to traditional financial and operational metrics, we use the following business metrics to monitor and evaluate results (in thousands, except monthly average revenue per paying family - U.S. Consumer Business):

	As of	
	March 31, 2018	April 1, 2017
Total members	28,420	24,030
Total families	16,195	13,593
Total caregivers	12,225	10,437
Paying families - U.S. Consumer Business	318	292
Monthly average revenue per paying family - U.S. Consumer Business	$40	$ 41

Total Members. We define total members as the sum of paying families, non-paying families, and caregivers worldwide who have registered through our websites and mobile apps since the launch of our marketplace in 2007. Total members also includes subscribers of our Care.com HomePay service. We believe this metric is significant to our business because it represents the universe of families and caregivers who are more likely than the general population to drive revenue because our members are more familiar with our brand and the services we offer and are interested enough in them to have registered. Our total members increased 18% as of March 31, 2018, compared to the corresponding period in the prior fiscal year.

Total Families. We define total families as the number of paying families and non-paying families who have registered through our websites and mobile apps since the launch of our marketplace in 2007. Total families also includes subscribers of our Care.com HomePay service. Our total families increased 19% as of March 31, 2018, compared to the corresponding period in the prior fiscal year.

Total Caregivers. We define total caregivers as the number of caregivers who have registered through our websites and mobile apps since the launch of our marketplace in 2007. Our total caregivers increased 17% as of March 31, 2018, compared to the corresponding period in the prior fiscal year.

Paying Families - U.S. Consumer Business. We define paying families - U.S. Consumer Business as the number of families located in the United States who have registered through our U.S.-based websites and mobile apps and who are paying subscribers of our U.S.-based matching services or our Care.com HomePay services as of the end of the fiscal period. The number of paying families in our U.S. Consumer Business increased 9% as of March 31, 2018, compared to the corresponding period in the prior fiscal year.

Monthly Average Revenue per Paying Family - U.S. Consumer Business. We define monthly average revenue per paying family, or ARPPF, for our U.S. Consumer Business as total U.S. Consumer Business revenue, including revenue from subscriptions and products, divided by the average number of paying families of our U.S.-based matching services and Care.com HomePay services in a given fiscal period, expressed on a monthly basis. We believe ARPPF is significant to our business because it represents how successful we have been at monetizing the subset of members who we have converted into paying families. The numerator of this metric includes revenue that comes from caregivers in addition to revenue that comes from families - while the denominator includes only paying families. We believe this is the most meaningful presentation because we do not consider the caregiver component of our business to be separate and distinct; rather, we believe revenue generated from caregivers is a byproduct of the families that have registered on our site. Our U.S. Consumer Business ARPPF as of March 31, 2018 decreased 2.4% compared to the same period in the prior fiscal year.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table below and within this Quarterly Report on Form 10-Q adjusted EBITDA, a non-GAAP financial measure. The table below represents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. We have included adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measure used by our management and board of directors to understand and evaluate our consolidated operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business.

Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect discontinued operations;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not include accretion of Series A Redeemable Convertible Preferred Stock dividends or issuance costs;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not reflect one time unusual or non-cash significant adjustments; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside our GAAP financial results. The following table presents a reconciliation of adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended March 31, 2018	April 1, 2017
Net income	$2,697	$824
Federal, state and franchise taxes	(439)	294
Other income, net	(562)	(301)
Depreciation and amortization	463	601
EBITDA	2,159	1,418
Stock-based compensation	3,712	1,603
Merger and acquisition related costs	176	—
Restructuring related costs	462	—
Litigation related costs	—	75
Software implementation costs	153	—
Severance related costs	67	31
Adjusted EBITDA	$6,729	$3,127

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the assumptions and estimates associated with the following critical accounting policies have the greatest potential impact on our condensed consolidated financial statements:

• Revenue recognition;
• Redeemable convertible preferred stock;
• Goodwill;
• Amortization and impairment of intangible assets.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2017 filed on March 9, 2017 with the exception of the adoption of ASU 2014-09. Please refer to Note 3 for further detail.

Recently Issued and Adopted Accounting Pronouncements

For information on recent accounting pronouncements, including our adoption of ASU 2014-09, “Revenue from Contracts with Customers,” see Recently Issued and Adopted Accounting Standards in the notes to the condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

Results of Operations

The following table sets forth our condensed consolidated results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results (in thousands, except per share data):

	Three Months Ended March 31, 2018	April 1, 2017
Revenue	$47,325	$43,366
Cost of revenue	9,443	8,766
Operating expenses:		
Selling and marketing	16,857	19,197
Research and development	8,288	5,989
General and administrative	10,467	8,255
Depreciation and amortization	418	424
Restructuring charges	462	—
Total operating expenses	36,492	33,865
Operating income	1,390	735
Other income, net	562	301
Income before income taxes	1,952	1,036
(Benefit from) provision for income taxes	(745)	212
Net income	2,697	824
Accretion of Series A Redeemable Convertible Preferred Stock dividends	(680)	(602)
Net income attributable to Series A Redeemable Convertible Preferred Stock	(276)	(30)
Net income attributable to common stockholders	$1,741	$192
Net income per share attributable to common stockholders (Basic)	$0.06	$0.01
Net income per share attributable to common stockholders (Diluted)	$0.05	$0.01
Weighted-average shares used to compute net income per share attributable to common stockholders:		
Basic	30,551	29,149
Diluted	33,344	31,282

Stock-based compensation included in the results of operations data above was as follows (in thousands):

	Three Months Ended March 31, 2018	April 1, 2017
Cost of revenue	$64	$92
Selling and marketing	474	246
Research and development	809	281
General and administrative	2,365	984
Total stock-based compensation	$3,712	$1,603

5

The following tables set forth our condensed consolidated results of operations for the periods presented as a percentage of revenue for those periods (certain items may not foot due to rounding).

	Three Months Ended	
	March 31, 2018	April 1, 2017
Revenue	100 %	100 %
Cost of revenue	20 %	20 %
Operating expenses:		
Selling and marketing	36 %	44 %
Research and development	18 %	14 %
General and administrative	22 %	19 %
Depreciation and amortization	1 %	1 %
Restructuring charges	1 %	— %
Total operating expenses	77 %	78 %
Operating income	3 %	2 %
Other income, net	1 %	1 %
Income before income taxes	4 %	2 %
(Benefit from) provision for income taxes	(2)%	— %
Net income	6 %	2 %
Accretion of Series A Redeemable Convertible Preferred Stock dividends	(1)%	(1)%
Net income attributable to Series A Redeemable Convertible Preferred Stock	(1)%	— %
Net income attributable to common stockholders	4 %	— %

Revenue

We generate revenue primarily through (a) subscription fees to our suite of products and services, which enable families to manage their diverse and evolving care needs, and caregivers to describe their unique skills and experience and otherwise differentiate and market themselves in a highly fragmented marketplace; and (b) annual contracts with corporate employers, both to provide access to our suite of products and services as an employee benefit, and to allow businesses to recruit employees and advertise their business profiles. Substantially all of our revenue earned is recognized on a ratable basis over the period the service is provided, with the exception of revenue from individually purchased background checks, which is recognized when the services are delivered to the end customer.

The following are our sources of revenue:

U.S. Consumer Business

Our U.S. Consumer Business consists of our U.S. matching solutions and our payments solutions.

Our U.S. matching solutions provide families access to job posting features, search features, caregiver profiles and content and are offered directly to consumers. Access to this platform is free of charge for basic members. Paying family members pay a monthly, quarterly or annual subscription fee to connect directly with caregivers and to utilize enhanced tools such as third-party background checks. Paying caregiver members pay a subscription fee for priority notification of jobs, messaging services and to perform third-party background checks on themselves. Subscription payments are received from all paying members at the time of sign-up and are recognized on a daily basis over the subscription term as the services are delivered once the revenue recognition criteria are met (refer to Note 3 for a description of the revenue recognition criteria).

Our payments solutions provide families several options to manage their financial relationship with their caregiver through the use of household employer payroll and tax services. Revenue related to Care.com HomePay, our household payroll and tax service, is primarily generated through quarterly subscriptions and recognized on a daily ratable basis over the period the services are provided.

Other Revenue

Other revenue includes revenue generated through contracts that provide corporate employers access to certain of our products and services, including on-demand back-up care, through our Care@Work solution. This product offering is typically sold through the use of an annual contract with an automatic renewal clause. Revenue related to this offering is recognized on a daily basis over the subscription term. Additionally, other revenue includes revenue generated from international markets. This revenue is typically recognized on a daily basis over the term of a member's subscription. We also generate revenue through our marketing solutions offering, which is designed to provide care-related businesses an efficient and cost-effective way to target qualified families seeking care services, and through our recruiting solutions offering, which allows care-related businesses to recruit caregivers for full-time and part-time employment. Revenue related to these product offerings is typically recognized over the subscription term.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Revenue	$47,325	$43,366	$ 3,959	9 %

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily attributed to an increase of $2.5 million in our consumer matching solutions business, principally related to a higher number of paying families and caregivers. Additionally, there was an increase of $1.0 million in Care@Work, and an increase of $0.4 million in our consumer payment solutions business.

Cost of Revenue

Our cost of revenue primarily consists of expenses that are directly related, or closely correlated, to revenue generation, including variable matching and payments servicing costs such as personnel costs for customer support, transaction fees related to credit card payments, the cost of background checks run on both families and caregivers and costs associated with back-up care. Additionally, cost of revenue includes website hosting fees and amortization expense related to caregiver relationships, proprietary software acquired as part of acquisitions and website intangible assets. We currently expect cost of revenue to increase on an absolute basis in the near term as we continue to expand our related customer base.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Cost of revenue	$9,443	$8,766	$ 677	8 %
Percentage of revenue	20 %	20 %		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily related to increased compensation-related costs of $0.5 million and credit card fees of $0.3 million. These were partially offset by a decrease of $0.2 million in member servicing and background checks.

Selling and Marketing

Our selling and marketing expenses primarily consist of customer acquisition marketing, including television advertising, branding, other advertising and public relations costs, as well as third-party resources for consulting and allocated facilities and other supporting overhead costs. In addition, sales and marketing expenses include salaries, benefits, stock-based compensation, travel expense and incentive compensation for our sales and marketing employees. We plan to continue to invest in sales and marketing to grow our current customer base, continue building brand awareness, and expand our global footprint.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Selling and marketing	$16,857	$19,197	$(2,340)	(12)%
Percentage of revenue	36%	44%		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily related to a reduction in spending principally related to acquisition marketing expense, of $2.4 million, as we continue to focus on unpaid channels.

Research and Development

Our research and development expenses primarily consist of salaries, benefits and stock-based compensation for our engineers, product managers and developers. In addition, product development expenses include third-party resources, as well as allocated facilities and other supporting overhead costs. We believe that continued investment in features, software development tools and code modification is important to attaining our strategic objectives and, as a result, we expect product development expense to increase on an absolute basis in the near term.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Research and development	$8,288	$5,989	$ 2,299	38%
Percentage of revenue	18%	14%		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily related to increases in compensation-related costs and third-party resources for consulting expense of $2.1 million and $0.1 million, respectively.

General and Administrative

Our general and administrative expenses primarily consist of salaries, benefits and stock-based compensation for our executive, finance, legal, information technology, human resources and other administrative employees. In addition, general and administrative expenses include: third-party resources; cyber security risk mitigation costs; legal and accounting services; acquisition-related costs; insurance premiums; and facilities. We expect that our general and administrative expenses will increase on an absolute basis in the near term as we continue to expand our business to support our operations as a publicly traded company, including expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, director and officer insurance premiums and investor relations costs.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$10,467	$8,255	$ 2,212	27%
Percentage of revenue	22%	19%		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily related to higher compensation related expense of $2.2 million, principally attributable to higher stock-based compensation costs.

Depreciation and Amortization

Depreciation and amortization expenses primarily consist of depreciation of computer equipment and software and amortization of leasehold improvements and acquired intangibles. We expect that depreciation and amortization expenses will decrease as our business is not capital intensive.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	$418	$424	$ (6)	(1)%
Percentage of revenue	1 %	1 %		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily attributed to certain intangible assets reaching the end of their useful lives during the prior year. This was partially off-set by new amortization associated with the Town & Country acquisition in the first quarter of fiscal 2018. Over the next five years, we expect to incur total annual amortization expense associated with previous acquisitions of $1.8 million.

Restructuring Charges

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
Restructuring charges	$462	$ —	$ 462	100 %
Percentage of revenue	1 %	—%		

During the quarter ended September 30, 2017, we recorded a lease obligation charge of $3.1 million, as we met the cease-use date requirements for a portion of the facility where our corporate headquarters are located. In order to estimate the lease obligation charges included in the restructuring expense, we made certain assumptions, including the time period it will take to obtain a subtenant and certain sublease rates. In the first quarter of fiscal 2018, we updated our assumptions, as we had signed a sublease agreement for a portion of the cease use space and updated our estimates for the expected time period it will take to obtain a subtenant for the remainder of the cease use space. This resulted in an additional $0.5 million of restructuring charges in the first quarter of fiscal 2018.

Other Income, net

Other income, net, consists primarily of foreign exchange gains and losses, net of the interest income earned on our cash and cash equivalents and investments.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
Other income, net	$562	$301	$ 261	87 %
Percentage of revenue	1 %	1 %		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

The change was primarily driven by the favorable movement of foreign exchange rates, primarily due to the weakening of the US dollar against the Euro and British Pound Sterling during the three months ended March 31, 2018 compared to the three months ended April 1, 2017.

(Benefit From) Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions.

	Three Months Ended		Period-to-Period Change	
	March 31, 2018	April 1, 2017	$ Change	% Change
	(in thousands, except percentages)			
(Benefit from) provision for income taxes	$(745)	$212	$(957)	(451)%
Percentage of revenue	(2)%	— %		

Comparison of the Three Months Ended March 31, 2018 and April 1, 2017

We recorded an income tax benefit of $0.7 million for the three months ended March 31, 2018. The tax benefit recorded for the three months ended March 31, 2018 primarily relates to excess tax benefits recorded from the taxable compensation on share-based awards. The tax benefit is partially off-set by tax expenses pertaining to amortization of goodwill for tax purposes, for which there is no corresponding book deduction, foreign taxes in certain foreign jurisdictions, and certain state taxes based on operating income that are payable without regard to tax loss carryforwards.

In comparison, we recorded income tax expense of $0.2 million for the three months ended April 1, 2017. The tax expense recorded for the three months ended April 1, 2017 primarily related to the amortization of goodwill associated with the acquisition of Care.com HomePay for tax purposes, for which there is no corresponding book deduction, and certain state taxes based on operating income that are payable without regard to tax loss carryforwards.

Liquidity and Capital Resources

The following table summarizes our cash flow activities for the periods indicated (in thousands)

	Three Months Ended March 31, 2018	April 1, 2017
Cash flow provided by (used in):		
Operating activities	$9,443	$4,585
Investing activities	(5,243)	(271)
Financing activities	868	1,330
Effect of exchange rates on cash balances	91	(421)
Increase in cash and cash equivalents	$5,159	$5,223

As of March 31, 2018, we had cash and cash equivalents and short-term investments of $107.0 million, which consisted of $91.9 million in cash and cash equivalents and $15.1 million in short-term investments. Cash and cash equivalents and short-term investments consist of cash, certificates of deposit, and money market funds. Cash held internationally as of March 31, 2018 was $8.6 million. We did not have any long-term investments. Additionally, we do not have any outstanding bank loans or credit facilities in place. To date, we have been able to finance our operations through proceeds from the public and private sales of equity, including our IPO in January 2014 and issuance of Series A Redeemable Convertible Preferred Stock in June 2016, and to a lesser extent from the exercise of employee stock options. We believe that our existing cash and cash equivalents balance will be sufficient to meet our working capital expenditure requirements for at least the next 12 months. From time to time, we may explore additional financing sources to develop or enhance our services, to fund expansion, to respond to competitive pressures, to acquire or to invest in complementary products, businesses or technologies, or to lower our cost of capital, which could include equity, equity-linked and debt financing. We cannot assure you that any additional financing will be available to us on acceptable terms, if at all.

Operating Activities

Our primary source of cash from operations was from ongoing subscription fees to our consumer matching solutions. We believe that cash inflows from these fees will grow from our continued penetration into the market for care.

Three Months Ended March 31, 2018

Cash from operating activities provided $9.4 million during the three months ended March 31, 2018. This amount resulted from a net income of $2.7 million, adjusted for non-cash items of $2.9 million, and a net $3.8 million increase in cash due to changes in working capital.

Non-cash expenses within net income consisted primarily of $3.7 million for stock-based compensation and $0.5 million of depreciation and amortization expense. This was partially offset by $0.8 million of deferred tax assets and $0.4 million of foreign currency remeasurement gain.

Increases in operating liabilities and operating assets resulted in a net source of $3.8 million of cash within operating activities. The increase in working capital was primarily due to increases in deferred revenue, accrued expense and other current liabilities, accounts payable, and other non-current liabilities of $4.4 million, $0.6 million, $0.5 million, and $0.3 million, respectively. These were partially offset by increases accounts receivable and prepaid expense and other current assets of $1.1 million and $0.9 million, respectively.

Three Months Ended April 1, 2017

Cash from operating activities provided $4.6 million during the three months ended April 1, 2017. This amount resulted from a net income of $0.8 million, adjusted for non-cash items of $2.6 million, and a net $1.2 million source of cash due to changes in working capital.

Non-cash expenses within net income consisted primarily of $1.6 million for stock-based compensation and $0.6 million of depreciation and amortization expense.

Increases in operating liabilities and operating assets resulted in a net source of $1.2 million of cash within operating activities. The increase in working capital was primarily due to increases in deferred revenue and accrued expenses and other current liabilities of $3.5 million and $1.6 million, respectively, and decreases in unbilled accounts receivable of $0.7 million. These were partially off-set by decreases in accounts payable of $0.7 million, and increases in accounts receivable and prepaid expense and other current assets of $3.0 million and $0.9 million, respectively.

Investing Activities

Three Months Ended March 31, 2018

Cash used in investing activities totaled $5.2 million, which was primarily related to the acquisition of Town & Country and purchases of property and equipment of $5.0 million and $0.1 million, respectively. During the first half of 2017, we purchased $15.0 million of short term investments. These matured in the first quarter of 2018, and the $15.1 million was reinvested in the first quarter of 2018.

Three Months Ended April 1, 2017

Cash used in investing activities totaled $0.3 million, which was related to the purchases of property and equipment. We are not currently a party to any material purchase contracts related to future purchases of property and equipment. During the three months ended September 24, 2016, we purchased $15.0 million of short term investments, which we reinvested in during the three months ended April 1, 2017.

Financing Activities

Three Months Ended March 31, 2018

Cash provided by financing activities totaled $0.9 million, which was attributed to the exercise of common stock options.

Three Months Ended April 1, 2017

Cash provided by financing activities totaled $1.3 million, which was attributed to the exercise of common stock options.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the Securities and Exchange Commission, in the three months ended March 31, 2018 and April 1, 2017.

Contractual Obligations

Our contractual obligations relate primarily to non-cancelable operating leases and commitments to make potential future milestone earn-out payments as part of the Town & Country acquisition. There have been no significant changes in our contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended December 30, 2017, except as set forth below.

On January 9, 2018, we entered into an agreement to acquire Town & Country, a premium home staffing agency in the San Francisco Bay Area, pursuant to which we have a commitment to make two potential future milestone earn-outs payments of $1.0 million and $1.0 million to be earned consecutively over one-year periods. Refer to "Item 1. Financial Statements and Supplementary Data" and "Note 4, Business Acquisition."

On March 7, 2018, we entered into a 3-year extension for our Austin, Texas property lease related to our HomePay solutions business. The extension will commence on May 1, 2019, and we will pay an aggregate of approximately $2.2 million over the 3-year lease period.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

			Incorporated by Reference		
Exhibit Number	Exhibit Description	Filed with this Form 10-Q/A	Form	Filing Date with SEC	Exhibit Number
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.	X			
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.	X			
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Schema Linkbase Document	X			
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Definition Linkbase Document	X			
101.LAB	XBRL Taxonomy Labels Linkbase Document	X			
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X			

SIGNATURES

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

	CARE.COM, INC.
Dated: May 9, 2018	By: /s/ SHEILA LIRIO MARCELO Sheila Lirio Marcelo President and Chief Executive Officer and Director (Principal Executive Officer)
Dated: May 9, 2018	By: /s/ MICHAEL ECHENBERG Michael Echenberg Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)