

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 25, 2018

GRUBHUB INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36389
(Commission File Number)

46-2908664
(IRS Employer
Identification No.)

111 W. Washington Street, Suite 2100,
Chicago, Illinois
(Address of Principal Executive Offices)

60602
(Zip Code)

Registrant's Telephone Number, Including Area Code: (877) 585-7878

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.0 2. Results of Operations and Financial Condition

On May 1, 2018, Grubhub Inc. (the “*Company*”) issued a press release announcing the Company’s financial results for the first quarter ended March 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 2.02, including Exhibit 99.1, is intended to be furnished pursuant to Item 2.02 of Form 8-K, “Results of Operations and Financial Condition” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“*Exchange Act*”), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective as of April 25, 2018, in connection with the closing of the previously disclosed Investment (as defined below), the Board of Directors (the “*Board*”) of the Company has increased the size of the Board from nine to ten members and appointed Arthur Francis Starrs, III to the Board as a Class III director. As a Class III director, Mr. Starrs will serve on the Board until the Company’s 2020 annual meeting of stockholders and until his successor is duly elected and qualified. In accordance with the terms of the Investment Agreement (as defined below), so long as the Investor (as defined below) and its affiliates beneficially own at least 50% of the Acquired Shares (as defined below), the Master Services Agreement, dated February 8, 2018, by and among the Company, the Investor, Taco Bell Corp., KFC Corporation and Pizza Hut, LLC has not been terminated and Yum! Brands, Inc. and its subsidiaries have not invested in specified competitors of the Company, the Investor will have the right to designate one person for election to the Board. The Board has affirmatively determined that Mr. Starrs is independent under the applicable rules and regulations of the Securities and Exchange Commission and the listing standards of the New York Stock Exchange.

Pursuant to the terms of the Investment Agreement, Mr. Starrs will not participate in the Company’s compensation and benefit programs in which the Company’s other independent directors participate, other than to receive the benefits of indemnification and insurance consistent with the other independent directors. There are no family relationships between Mr. Starrs and any officer or other director of the Company or any related party transactions involving Mr. Starrs and the Company. In addition, Mr. Starrs has not been employed at the Company or any of its subsidiaries.

Mr. Starrs will have all of the obligations, including fiduciary duties to the Company and its stockholders, of a director under applicable law and pursuant to the Company’s organizational documents.

Item 8.01. Other Events.

On April 25, 2018, the Company and Yum Restaurant Services Group, LLC (the “*Investor*”), a wholly owned subsidiary of Yum! Brands, Inc., closed the previously announced issuance and sale of 2,820,464 shares of common stock of the Company (the “*Acquired Shares*”) to the Investor for an aggregate purchase price of \$200,000,000 (the “*Investment*”), pursuant to the Investment Agreement, dated as of February 7, 2018, by and between the Company and the Investor (the “*Investment Agreement*”).

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release issued by Grubhub Inc. on May 1, 2018. |

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|--|
| 99.1 | Press Release issued by Grubhub Inc. on May 1, 2018. |

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.

Date: May 1, 2018

GRUBHUB INC.

By: /s/ ADAM DEWITT
Adam DeWitt
Chief Financial Officer

GRUBHUB REPORTS RECORD FIRST QUARTER RESULTS

Grubhub generates 49% revenue growth in the first quarter

CHICAGO, May 1, 2018 – Grubhub Inc. (NYSE: GRUB), the nation's leading online and mobile food-ordering and delivery marketplace, today announced financial results for the first quarter ended March 31, 2018. For the first quarter, the Company posted revenues of \$232.6 million, which is a 49% year-over-year increase from \$156.1 million in the first quarter of 2017. Gross Food Sales grew 39% year-over-year to \$1.2 billion, up from \$898 million in the year ago period.

"Our team executed well in the first quarter, making meaningful progress toward our most significant goals for 2018. We've already launched dozens of new delivery markets, completed our Yelp and Eat24 integrations a quarter earlier than expected, and attracted a record quarterly number of organic new diners," said Grubhub CEO, Matt Maloney. "Our restaurant partnerships are broader and deeper than ever before, increasing our value to diners and driving sustained diner and order growth."

First Quarter 2018 Highlights

The following results reflect the financial performance and key operating metrics of our business for the three months ended March 31, 2018, as compared to the same period in 2017.

First Quarter Financial Highlights

- Revenues: \$232.6 million, a 49% year-over-year increase from \$156.1 million in the first quarter of 2017.
- Net Income: \$30.8 million, or \$0.34 per diluted share, a 74% year-over-year increase from \$17.7 million, or \$0.20 per diluted share, in the first quarter of 2017.
- Non-GAAP Adjusted EBITDA: \$64.1 million, a 51% year-over-year increase from \$42.5 million in the first quarter of 2017.
- Non-GAAP Net Income: \$47.2 million, or \$0.52 per diluted share, an 88% year-over-year increase from \$25.1 million, or \$0.29 per diluted share, in the first quarter of 2017.

First Quarter Key Business Metrics Highlights

- Active Diners were 15.1 million, a 72% year-over-year increase from 8.8 million Active Diners in the first quarter of 2017.
 - Daily Average Grubs (DAGs) were 436,900, a 35% year-over-year increase from 324,600 DAGs in the first quarter of 2017.
 - Gross Food Sales were \$1.2 billion, a 39% year-over-year increase from \$898 million in the first quarter of 2017.
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"Organic DAG growth accelerated for the second quarter in a row, fueled by the most comprehensive restaurant marketplace and our efficient delivery," said Grubhub President and CFO Adam DeWitt. "Our scale continues to generate improving profitability, leading to record EBITDA per order of \$1.63 during the first quarter, even as we push hard on delivery market expansion and spreading diner awareness."

Second Quarter and Full Year 2018 Guidance

Based on information available as of May 1, 2018, the Company is providing the following financial guidance for the second quarter and full year of 2018:

| | Second Quarter 2018 | Full Year 2018 |
|--------------------------------|----------------------------|-----------------------|
| | (in millions) | |
| Expected Revenue range | \$228 - \$236 | \$930 - \$965 |
| Expected Adjusted EBITDA range | \$59 - \$65 | \$242 - \$262 |

First Quarter 2018 Financial Results Conference Call

Grubhub will webcast a conference call today at 9 a.m. CT to discuss the first quarter 2018 financial results. The webcast can be accessed on the Grubhub Investor Relations website at <http://investors.grubhub.com>, along with the Company's earnings press release and financial tables. A replay of the webcast will be available at the same website until May 15, 2018.

About Grubhub

Grubhub (NYSE: GRUB) is the nation's leading online and mobile takeout food-ordering marketplace with the largest and most comprehensive network of restaurant partners, as well as the largest diner base. Dedicated to connecting diners with the food they love from their favorite local restaurants, Grubhub strives to elevate food ordering through innovative restaurant technology, easy-to-use platforms and an improved delivery experience. Grubhub is proud to work with more than 80,000 restaurant partners in over 1,600 U.S. cities and London. The Grubhub portfolio of brands includes Grubhub, Seamless, Eat24, AllMenus and MenuPages.

Use of Forward Looking Statements

This press release contains forward-looking statements regarding Grubhub, "the Company's" or our management's future expectations, beliefs, intentions, goals, strategies, plans and prospects, including the expected benefits to, and financial performance of, Grubhub following the acquisition of Eat24 and its commercial agreements with Yelp and Yum! Brands. Such statements constitute "forward-looking statements", which are subject to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve substantial known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, but are not limited to, the matters set forth in the filings that we make with the Securities and Exchange Commission from time to time, including those set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K filed on February 28, 2018, which is on file with the SEC and is available on the Investor Relations section of our website at <http://investors.grubhub.com>. Additional information will be set forth in our Quarterly Report on Form 10-Q that will be filed for the quarter ended March 31, 2018, which should be read in conjunction with these financial results. Please also note that forward-looking statements represent management's beliefs and assumptions only as of the date of this press release. Except as required by law, we disclaim any intention to, and undertake no obligation to, publicly update these forward-looking statements, or to update the reasons actual results could differ

materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

Use of Non-GAAP Financial Measures

Adjusted EBITDA, non-GAAP net income and non-GAAP net income per diluted share attributable to common stockholders are financial measures that are not calculated in accordance with accounting principles generally accepted in the United States, or GAAP.

We define Adjusted EBITDA as net income adjusted to exclude acquisition, restructuring and certain legal costs, income taxes, interest income and expense, depreciation and amortization and stock-based compensation expense. Non-GAAP net income and non-GAAP net income per diluted share attributable to common stockholders exclude acquisition, restructuring and certain legal costs, amortization of acquired intangible assets, stock-based compensation expense and other nonrecurring items as well as the income tax effects of these non-GAAP adjustments. We use these non-GAAP financial measures as key performance measures because we believe they facilitate operating performance comparisons from period to period by excluding potential differences primarily caused by variations in capital structures, tax positions, the impact of acquisitions, restructuring and certain legal costs, the impact of depreciation and amortization expense on our fixed assets and the impact of stock-based compensation expense. Adjusted EBITDA, non-GAAP net income and non-GAAP net income per diluted share attributable to common stockholders are not measurements of our financial performance under GAAP and should not be considered as an alternative to performance measures derived in accordance with GAAP.

See “Schedule of Non-GAAP Financial Measures Reconciliation” below for a reconciliation of net income to Adjusted EBITDA, non-GAAP net income and non-GAAP net income per diluted share attributable to common stockholders.

Contacts:

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GRUBHUB INC.
STATEMENTS OF OPERATIONS
(in thousands, except per share data)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2018 | 2017 |
| Revenues | \$ 232,570 | \$ 156,134 |
| Costs and expenses: | | |
| Operations and support | 96,283 | 59,519 |
| Sales and marketing | 48,756 | 35,438 |
| Technology (exclusive of amortization) | 17,331 | 13,192 |
| General and administrative | 17,697 | 13,181 |
| Depreciation and amortization | 20,951 | 10,040 |
| Total costs and expenses | 201,018 | 131,370 |
| Income from operations | 31,552 | 24,764 |
| Interest (income) expense - net | 1,022 | (221) |
| Income before provision for income taxes | 30,530 | 24,985 |
| Income tax (benefit) expense | (236) | 7,270 |
| Net income attributable to common stockholders | \$ 30,766 | \$ 17,715 |
| Net income per share attributable to common stockholders: | | |
| Basic | \$ 0.35 | \$ 0.21 |
| Diluted | \$ 0.34 | \$ 0.20 |
| Weighted-average shares used to compute net income per share attributable to common stockholders: | | |
| Basic | 87,085 | 85,874 |
| Diluted | 90,091 | 87,120 |

KEY OPERATING METRICS

| | Three Months Ended March 31, | |
|-----------------------------|-------------------------------------|-------------|
| | 2018 | 2017 |
| Active Diners (000s) | 15,078 | 8,751 |
| Daily Average Grubs | 436,900 | 324,600 |
| Gross Food Sales (millions) | \$ 1,245.0 | \$ 898.1 |

GRUBHUB INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | <u>March 31, 2018</u> | <u>December 31, 2017</u> |
|--|-----------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 272,258 | \$ 234,090 |
| Short-term investments | 16,052 | 23,605 |
| Accounts receivable, less allowances for doubtful accounts | 100,129 | 95,970 |
| Prepaid expenses and other current assets | 9,847 | 6,818 |
| Total current assets | <u>398,286</u> | <u>360,483</u> |
| PROPERTY AND EQUIPMENT: | | |
| Property and equipment, net of depreciation and amortization | 79,399 | 71,384 |
| OTHER ASSETS: | | |
| Other assets | 6,697 | 6,487 |
| Goodwill | 589,862 | 589,862 |
| Acquired intangible assets, net of amortization | 504,011 | 515,553 |
| Total other assets | <u>1,100,570</u> | <u>1,111,902</u> |
| TOTAL ASSETS | <u>\$ 1,578,255</u> | <u>\$ 1,543,769</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Restaurant food liability | \$ 126,853 | \$ 119,922 |
| Accounts payable | 12,202 | 7,607 |
| Accrued payroll | 9,897 | 13,186 |
| Taxes payable | 1,514 | 3,109 |
| Short-term debt | 4,688 | 3,906 |
| Other accruals | 34,237 | 26,818 |
| Total current liabilities | <u>189,391</u> | <u>174,548</u> |
| LONG-TERM LIABILITIES: | | |
| Deferred taxes, non-current | 71,316 | 74,292 |
| Other accruals | 17,207 | 7,468 |
| Long-term debt | 143,121 | 169,645 |
| Total long-term liabilities | <u>231,644</u> | <u>251,405</u> |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$0.0001 par value | 9 | 9 |
| Accumulated other comprehensive loss | (872) | (1,228) |
| Additional paid-in capital | 856,443 | 849,043 |
| Retained earnings | 301,640 | 269,992 |
| Total Stockholders' Equity | <u>\$ 1,157,220</u> | <u>\$ 1,117,816</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 1,578,255</u> | <u>\$ 1,543,769</u> |

GRUBHUB INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three Months Ended March 31, | |
|--|------------------------------|-------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 30,766 | \$ 17,715 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation | 5,050 | 2,412 |
| Provision for doubtful accounts | 325 | 95 |
| Deferred taxes | (2,976) | (4,741) |
| Amortization of intangible assets | 15,901 | 7,628 |
| Stock-based compensation | 10,231 | 7,243 |
| Deferred rent | 1,633 | 58 |
| Amortization of deferred loan costs | 333 | 124 |
| Other | (243) | (234) |
| Change in assets and liabilities, net of the effects of business acquisitions: | | |
| Accounts receivable | 3,918 | (1,721) |
| Prepaid expenses and other assets | (3,516) | 2,957 |
| Restaurant food liability | 6,885 | 11,297 |
| Accounts payable | 601 | 483 |
| Accrued payroll | (3,295) | (1,534) |
| Other accruals | 5,887 | 9,808 |
| Net cash provided by operating activities | <u>71,500</u> | <u>51,590</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (10,537) | (57,783) |
| Proceeds from maturity of investments | 18,166 | 55,833 |
| Capitalized website and development costs | (6,262) | (4,150) |
| Purchases of property and equipment | (5,462) | (3,056) |
| Acquisitions of business, net of cash acquired | 737 | — |
| Acquisition of other intangible assets | — | (5,000) |
| Other cash flows from investing activities | 16 | 91 |
| Net cash used in investing activities | <u>(3,342)</u> | <u>(14,065)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of borrowings under the credit facility | (25,781) | — |
| Proceeds from exercise of stock options | 6,948 | 1,584 |
| Taxes paid related to net settlement of stock-based compensation awards | (11,485) | (3,688) |
| Net cash used in financing activities | <u>(30,318)</u> | <u>(2,104)</u> |
| Net change in cash, cash equivalents, and restricted cash | 37,840 | 35,421 |
| Effect of exchange rates on cash, cash equivalents and restricted cash | 356 | 97 |
| Cash, cash equivalents, and restricted cash at beginning of year | 238,239 | 242,214 |
| Cash, cash equivalents, and restricted cash at end of the period | <u>\$ 276,435</u> | <u>\$ 277,732</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS | | |
| Cash paid for income taxes | \$ 227 | \$ 746 |

GRUBHUB INC.
NON-GAAP FINANCIAL MEASURES RECONCILIATION
(in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|------------------------------|---------------|
| | 2018 | 2017 |
| Net income | \$ 30,766 | \$ 17,715 |
| Income taxes | (236) | 7,270 |
| Interest (income) expense - net | 1,022 | (221) |
| Depreciation and amortization | 20,951 | 10,040 |
| EBITDA | 52,503 | 34,804 |
| Acquisition, restructuring and legal costs | 1,329 | 409 |
| Stock-based compensation | 10,231 | 7,243 |
| Adjusted EBITDA | \$ 64,063 | \$ 42,456 |

| | Three Months Ended March 31, | |
|--|------------------------------|------------------|
| | 2018 | 2017 |
| Net income | \$ 30,766 | \$ 17,715 |
| Stock-based compensation | 10,231 | 7,243 |
| Amortization of acquired intangible assets | 11,543 | 5,273 |
| Acquisition, restructuring and legal costs | 1,329 | 409 |
| Income tax adjustments | (6,677) | (5,519) |
| Non-GAAP net income | \$ 47,192 | \$ 25,121 |
| Weighted-average diluted shares used to compute net income per share attributable to common stockholders | 90,091 | 87,120 |
| Non-GAAP net income per diluted share attributable to common stockholders | \$ 0.52 | \$ 0.29 |

| | Guidance | | | |
|-------------------------------------|-------------------------------------|-------------|---------------------------------|--------------|
| | Three Months Ended June 30, 2018 | | Year Ended December 31, 2018 | |
| | Low | High | Low | High |
| | (in millions) | | | |
| Net income | \$ 19.5 | \$ 23.8 | \$ 79.8 | \$ 94.2 |
| Income taxes | 7.5 | 9.2 | 30.9 | 36.5 |
| Interest expense-net | 1.0 | 1.0 | 4.0 | 4.0 |
| Depreciation and amortization | 19.0 | 19.0 | 80.0 | 80.0 |
| EBITDA | 47.0 | 53.0 | 194.7 | 214.7 |
| Acquisition and restructuring costs | — | — | 1.3 | 1.3 |
| Stock-based compensation | 12.0 | 12.0 | 46.0 | 46.0 |
| Adjusted EBITDA | \$ 59.0 | \$ 65.0 | \$ 242.0 | \$ 262.0 |