TechTarget Inc
Form 10-Q
August 09, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

¨ **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: 1-33472

TECHTARGET, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-3483216**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

275 Grove Street

Newton, Massachusetts 02466

(Address of principal executive offices) (zip code)

(617) 431-9200

(Registrant s telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report): Not applicable

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 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, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting 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	¨

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

The registrant had 39,477,589 shares of Common Stock, $0.001 par value per share, outstanding as of July 31, 2012.

Table of Contents

TABLE OF CONTENTS

Item		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of June 30, 2012 (unaudited) and December 31, 2011	3
	Consolidated Statements of Operations and Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011 (unaudited)	4
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011 (unaudited)	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	33
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 3.	Defaults upon Senior Securities	46
Item 4.	Mine Safety Disclosures	46
Item 5.	Other Information	46
Item 6.	Exhibits	46
	Signatures	47

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TECHTARGET, INC.

Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 28,368	$ 25,786
Short-term investments	26,666	30,684
Accounts receivable, net of allowance for doubtful accounts of $836 and $1,062 as of June 30, 2012 and December 31, 2011, respectively	28,900	26,272
Prepaid expenses and other current assets	2,851	1,782
Deferred tax assets	1,286	1,287
Total current assets	88,071	85,811
Property and equipment, net	8,745	7,942
Long-term investments	11,516	6,751
Goodwill	92,520	92,519
Intangible assets, net of accumulated amortization	6,492	8,277
Deferred tax assets	9,463	9,743
Other assets	307	204
Total assets	$ 217,114	$ 211,247
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 3,659	$ 2,941
Accrued expenses and other current liabilities	3,368	2,698
Accrued compensation expenses	619	1,199
Income taxes payable	350	1,287
Contingent consideration		1,405
Deferred revenue	7,611	5,610
Total current liabilities	15,607	15,140
Long-term liabilities:		
Deferred rent	3,407	3,474
Deferred tax liabilities	2,060	2,060
Other liabilities	893	898
Total liabilities	21,967	21,572
Commitments and contingencies (Note 8)		
Stockholders equity:		
Preferred stock, 5,000,000 shares authorized; no shares issued or outstanding		
Common stock, $0.001 par value per share, 100,000,000 shares authorized, 45,229,928 shares issued and 39,372,050 shares outstanding at June 30, 2012 and 44,501,390 shares issued and 38,643,512 shares outstanding at December 31, 2011	45	45

Treasury stock	(35,343)	(35,343)
Additional paid-in capital	260,556	257,459
Accumulated other comprehensive loss	(205)	(250)
Accumulated deficit	(29,906)	(32,236)
Total stockholders equity	195,147	189,675
Total liabilities and stockholders equity	$ 217,114	$ 211,247

See accompanying notes.

Table of Contents

TECHTARGET, INC.

Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(Unaudited)			
Revenues:				
Online	$ 23,038	$ 24,151	$ 45,109	$ 44,531
Events	3,331	3,951	4,974	6,137
Total revenues	26,369	28,102	50,083	50,668
Cost of revenues:				
Online(1)	5,949	5,720	11,990	11,326
Events(1)	1,154	1,242	1,917	2,119
Total cost of revenues	7,103	6,962	13,907	13,445
Gross profit	19,266	21,140	36,176	37,223
Operating expenses:				
Selling and marketing(1)	9,227	10,184	18,390	18,815
Product development(1)	1,881	1,870	3,736	3,816
General and administrative(1)	2,979	3,458	6,627	7,257
Restructuring charge		384		384
Depreciation	811	668	1,578	1,309
Amortization of intangible assets	874	989	1,812	2,075
Total operating expenses	15,772	17,553	32,143	33,656
Operating income	3,494	3,587	4,033	3,567
Interest income, net	23	6	47	12
Income before provision for income taxes	3,517	3,593	4,080	3,579
Provision for income taxes	1,552	1,775	1,750	1,836
Net income	$ 1,965	$ 1,818	$ 2,330	$ 1,743
Net income per common share:				
Basic	$ 0.05	$ 0.05	$ 0.06	$ 0.05
Net income per common share:				
Diluted	$ 0.05	$ 0.04	$ 0.06	$ 0.04
Weighted average common shares outstanding:				
Basic	40,185	38,332	40,024	38,136
Weighted average common shares outstanding:				
Diluted	40,952	40,691	40,903	40,863
Comprehensive income	$ 1,881	$ 1,722	$ 2,375	$ 1,668

(1) Amounts include stock-based compensation expense as follows:

Cost of online revenues	$ 47	$ 62	$ 100	$ 132
Cost of events revenues	4	20	8	42
Selling and marketing	658	1,082	1,389	2,240
Product development	63	100	128	206
General and administrative	357	682	798	1,326

See accompanying notes.

4

Table of Contents

TECHTARGET, INC.

Consolidated Statements of Cash Flows

(In thousands)

	Six Months Ended June 30, 2012	2011
	(Unaudited)	
Operating Activities:		
Net income	$ 2,330	$ 1,743
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,390	3,384
Provision for bad debt	289	302
Amortization of investment premiums	624	349
Stock-based compensation expense	2,423	3,946
Deferred tax benefit	(1)	(217)
Excess tax benefit stock options	(264)	(471)
Changes in operating assets and liabilities:		
Accounts receivable	(2,905)	(4,319)
Prepaid expenses and other current assets	(1,066)	(538)
Other assets	(100)	(89)
Accounts payable	718	269
Income taxes payable	(672)	689
Accrued expenses and other current liabilities	(973)	1,761
Accrued compensation expenses	(426)	(1,019)
Deferred revenue	2,000	2,189
Other liabilities	(72)	(618)
Net cash provided by operating activities	5,295	7,361
Investing activities:		
Purchases of property and equipment, and other assets	(2,377)	(2,357)
Purchases of investments	(7,380)	(28,487)
Proceeds from sales and maturities of investments	6,000	13,145
Acquisition of businesses		(2,006)
Net cash used in investing activities	(3,757)	(19,705)
Financing activities:		
Excess tax benefit stock options	264	471
Proceeds from exercise of stock options	759	1,106
Net cash provided by financing activities	1,023	1,577
Effect of exchange rate changes on cash and cash equivalents	21	
Net increase (decrease) in cash and cash equivalents	2,582	(10,767)
Cash and cash equivalents at beginning of period	25,786	32,584
Cash and cash equivalents at end of period	$ 28,368	$ 21,817

Supplemental disclosure of cash flow information:		
Cash paid for interest	$	$
Cash paid for taxes	$ 2,690	$ 1,347

See accompanying notes.

Table of Contents

TECHTARGET, INC.

Notes to Consolidated Financial Statements

(In thousands, except share and per share data, where otherwise noted or instances where expressed in millions)

1. Organization and Operations

TechTarget, Inc. (the Company) is a leading provider of specialized online content and brand advertising that brings together buyers and sellers of corporate information technology (IT) products. The Company sells customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases. Online content is specifically defined as those advertising and media offerings being available to users via Internet websites as opposed to traditional offline media offerings available in print, radio and television advertising.

The Company s integrated content platform consists of a network of over 115 websites that are complemented with targeted in-person events. During the critical stages of the purchase decision process, these content offerings meet IT professionals needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns which generate measurable, high return on investment (ROI). As IT professionals have become increasingly specialized, they have come to rely on the Company s sector-specific websites for purchasing decision support. The Company s content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of users respective job responsibilities and the marketing focus of the products that the Company s customers are advertising, content offerings are currently categorized across nine distinct media groups: Application Architecture and Development; Channel; CIO/IT Strategy; Data Center and Virtualization Technologies; Business Applications and Analytics; Networking; Security; Storage; and TechnologyGuide.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these Notes to Consolidated Financial Statements.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, which include KnowledgeStorm, Inc., Bitpipe, Inc., TechTarget Securities Corporation (TSC), TechTarget Limited, TechTarget (HK) Limited, TechTarget (Beijing) Information Technology Consulting Co., Ltd., TechTarget (Australia) Pty Ltd. and TechTarget (Singapore) Pte Ltd. KnowledgeStorm, Inc. and Bitpipe, Inc. feature websites that provide in-depth vendor generated content targeted to corporate IT professionals. TechTarget Securities Corporation is a Massachusetts security corporation incorporated in 2004. TechTarget Limited is a subsidiary doing business principally in the United Kingdom. TechTarget (HK) Limited (TTGT HK) is a subsidiary incorporated in Hong Kong in order to facilitate the Company s activities in Asia-Pacific. Additionally, through its wholly-owned subsidiaries, TTGT HK and TechTarget (Beijing) Information Technology Consulting Co., Ltd. (TTGT Consulting , incorporated on December 16, 2011), the Company effectively controls a variable interest entity (VIE), Keji Wangtuo Information Technology Co., Ltd., (KWIT), which was incorporated under the laws of the People s Republic of China (PRC) on November 27, 2007. TechTarget (Australia) Pty Ltd. (incorporated on December 15, 2011), and TechTarget (Singapore) Pte Ltd. (incorporated on February 12, 2012) are the entities through which the Company does business in Australia and Singapore, respectively.

PRC laws and regulations prohibit or restrict foreign ownership of Internet-related services and advertising businesses. To comply with these foreign ownership restrictions, the Company operates its websites and provides online advertising services in the PRC through KWIT. The Company entered into certain exclusive agreements with KWIT and its shareholders through TTGT HK, which obligated TTGT HK to absorb all of the risk of loss from KWIT s activities and entitled TTGT HK to receive all of their residual returns. In addition, the Company entered into certain agreements with the authorized parties through TTGT HK, including Management and Consulting Services, Voting Proxy, Equity Pledge and Option Agreements. On December 31, 2011, TTGT HK assigned all of its rights and obligations to the newly formed wholly foreign-owned enterprise (WFOE), TTGT Consulting. The WFOE is established and existing under the laws of the PRC, and is wholly owned by TTGT HK.

Based on these contractual arrangements, the Company consolidates the financial results of KWIT as required by Accounting Standards Codification (ASC) subtopic 810-10 (ASC 810-10), *Consolidation: Overall* (Pre-Codification: Financial Accounting Standards Board (FASB) Interpretation No. 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*), because the Company holds all the variable interests of KWIT through the WFOE, which is the primary beneficiary of KWIT. Despite the lack of technical majority ownership, there

6

Table of Contents

exists a parent-subsidiary relationship between the Company and the VIE through the aforementioned agreements, whereby the equity holders of KWIT assigned all of their voting rights underlying their equity interest in KWIT to the WFOE. In addition, through the other aforementioned agreements, the Company demonstrates its ability and intention to continue to exercise the ability to obtain substantially all of the profits and absorb all of the expected losses of KWIT. All significant intercompany accounts and transactions between the Company, its subsidiaries, and KWIT have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (generally accepted accounting principles, or GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of results to be expected for any other interim periods or for the full year. The information included in these consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to revenue, long-lived assets, the allowance for doubtful accounts, stock-based compensation, and income taxes. Estimates of the carrying value of certain assets and liabilities are based on historical experience and on various other assumptions that the Company believes to be reasonable. Actual results could differ from those estimates.

Revenue Recognition

The Company generates substantially all of its revenue from the sale of targeted advertising campaigns, which are delivered via its network of websites, and events. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The majority of the Company s online media sales involve multiple product offerings, which are described in more detail below. Because neither vendor-specific objective evidence of fair value nor third party evidence of selling price exists for all elements in the Company s bundled product offerings, the Company uses an estimated selling price which represents management's best estimate of the stand-alone selling price of deliverables for each deliverable in an arrangement. The Company establishes best estimates considering multiple factors including, but not limited to, class of client, size of transaction, available media inventory, pricing strategies and market conditions. The Company believes the use of the best estimate of selling price allows revenue recognition in a manner consistent with the underlying economics of the transaction. The Company uses the relative selling price method to allocate consideration at the inception of the arrangement to each deliverable in a multiple element arrangement. The relative selling price method allocates any discount in the arrangement proportionately to each deliverable on the basis of the deliverable's best estimated selling price. Revenue is then recognized as delivery occurs.

The Company evaluates all deliverables of an arrangement at inception and each time an item is delivered, to determine whether they represent separate units of accounting. Based on this evaluation, the arrangement consideration is measured and allocated to each of these elements.

Event Sponsorships. Revenue from vendor-sponsored events, whether sponsored exclusively by a single vendor or in a multi-vendor sponsored event, is recognized in the period during which the event is completed. The majority of the Company s events are free to qualified attendees; however, certain events are based on a paid attendee model. The Company recognizes revenue for paid attendee events upon completion of the event.

Table of Contents

Online Media. Revenue for lead generation campaigns is recognized as follows:

Beginning in the period ending March 31, 2012, the Company s lead generation campaigns all offer the Activity Intelligence Dashboard. In order to manage the lead generation component, the Company has changed its operational approach and the contractual terms and conditions under which it sells its products. Instead of selling individual elements, it sells various lead generation campaigns with the Dashboard. Revenue is recognized ratably over the duration of the campaigns. As part of these offerings, the Company will guarantee a minimum number of qualified leads to be delivered over the course of the advertising campaign. The Company determines the content necessary to achieve performance guarantees. Scheduled end dates of advertising campaigns sometimes need to be extended, pursuant to the terms of the arrangement, to satisfy lead guarantees.

In 2011, revenue for elements of lead generation campaigns was recognized as follows:

White Papers. White paper revenue was recognized ratably over the period in which the white paper was available on the Company s websites.

Webcasts, Podcasts, Videocasts and Virtual Trade Shows. Webcast, podcast, videocast, virtual trade show and similar content revenue was recognized ratably over the period in which the webcast, podcast, videocast or virtual trade show was available on the Company s websites.

As part of these offerings, the Company will guarantee a minimum number of qualified leads to be delivered over the course of the advertising campaign. Scheduled end dates of advertising campaigns sometimes need to be extended, pursuant to the terms of the arrangement, to satisfy lead guarantees or to fulfill all elements of the advertising campaign based on delayed receipt of advertising media collateral from the customer.

Revenue for other online media offerings is recognized as follows for 2011 as well as for the three and six months ending June 30, 2012:

Custom Content Creation. Custom content revenue is recognized when the creation is completed and delivered to the customer.

Content Sponsorships. Content sponsorship revenue is recognized ratably over the period in which the related content vehicle is available on the Company s websites.

List Rentals. List rental revenue is recognized in the period in which the list is sent to the Company s customers.

Banners. Banner revenue is recognized in the period in which the banner impressions or clicks occur.

Third Party Revenue Sharing Arrangements. Revenue from third party revenue sharing arrangements is recognized on a net basis in the period in which the services are performed. For certain third party agreements where the Company is the primary obligor, revenue is recognized on a gross basis in the period in which the services are performed.

The Company recognizes revenue from cost per lead advertising in the period during which the leads are delivered to its customers.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short and long-term investments, accounts receivable and accounts payable. Due to their short-term nature and liquidity, the carrying value of these instruments approximates their estimated fair values.

Allowance for Doubtful Accounts

The Company offsets gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in their existing accounts receivable. The allowance for doubtful accounts is reviewed on a regular basis, and all past due balances are reviewed individually for collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for doubtful accounts are recorded in general and administrative expense.

Table of Contents

The allowance for doubtful accounts was $0.8 million at June 30, 2012 and $1.1 million at December 31, 2011.

Long-lived Assets

Long-lived assets consist primarily of property and equipment, goodwill and other intangible assets. The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that would trigger an impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset or an adverse action or a significant decrease in the market price. A specifically identified intangible asset must be recorded as a separate asset from goodwill if either of the following two criteria is met: (1) the intangible asset acquired arises from contractual or other legal rights; or (2) the intangible asset is separable. Accordingly, intangible assets consist of specifically identified intangible assets. Goodwill is the excess of any purchase price over the estimated fair market value of net tangible and intangible assets acquired.

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use, and are reviewed for impairment when events or changes in circumstances suggest that the assets may not be recoverable. The Company performs its annual test of impairment of goodwill as of December 31st of each year, and whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Based on this evaluation, the Company believes that, as of each of the balance sheet dates presented, none of the Company s goodwill or other long-lived assets were impaired. The Company did not have any intangible assets with indefinite lives as of June 30, 2012 or December 31, 2011.

Internal-Use Software and Website Development Costs

The Company capitalizes costs incurred during the development of its website applications and infrastructure as well as certain costs relating to internal-use software. The estimated useful life of costs capitalized is evaluated for each specific project. Capitalized internal-use software and website development costs are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized only if the carrying amount of the asset is not recoverable and exceeds its fair value. The Company capitalized internal-use software and website development costs of $0.7 million and $0.8 million for the three months ended June 30, 2012 and 2011, respectively, and $1.6 million for the six months ended June 30, 2012 and 2011.

Income Taxes

The Company s deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. A valuation allowance is established against net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return using a more likely than not threshold as required by the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*.

The Company recognizes any interest and penalties related to unrecognized tax benefits in income tax expense.

Stock-Based Compensation

The Company has two stock-based employee compensation plans which are more fully described in Note 10. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized in the Statement of Operations using the straight-line method over the vesting period of the award or using the accelerated method if the award is contingent upon performance goals. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock option awards.

Net Income (Loss) Per Share

Basic earnings per share is computed based on the weighted average number of common shares and vested restricted stock awards outstanding during the period. Because the holders of unvested restricted stock awards do not have

9

Table of Contents

nonforfeitable rights to dividends or dividend equivalents, the Company does not consider these awards to be participating securities that should be included in its computation of earnings per share under the two-class method. Diluted earnings per share is computed using the weighted average number of common shares and vested restricted stock awards outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options and restricted stock awards is computed using the average market price for the respective period. In addition, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options and restricted stock awards that are in-the-money. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options and restricted stock awards.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (ASU 2011-04)*, which provides common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income (ASU 2011-05),* which requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It also eliminates the option for entities to present the components of other comprehensive income as part of the statement of changes in stockholders equity. For public companies, ASU 2011-05 is effective for fiscal years (and interim periods within those years) beginning after December 15, 2011, with earlier adoption permitted. In December 2011, the FASB issued ASU No. 2011-12, Topic 220 *Comprehensive Income* (ASU 2011-12), which indefinitely deferred certain provisions of ASU 2011-05, including the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This amendment is effective for both annual and interim financial statements beginning after December 15, 2011. Although the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under existing guidance. The Company adopted these ASUs using a single continuous statement in Q1 2012 for all periods presented. The Company's adoption of ASU 2011-12 did not have an impact on its consolidated results of operations or financial condition.

In September 2011, the FASB issued ASU 2011-08, *Testing for Goodwill Impairment (ASU 2011-08),* which amends current goodwill impairment testing guidance by providing entities with an option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

3. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, short- and long-term investments and contingent consideration. The fair value of these financial assets and liabilities was determined based on three levels of input as follows:

Level 1. Quoted prices in active markets for identical assets and liabilities;

Level 2. Observable inputs other than quoted prices in active markets; and

Level 3. Unobservable inputs.

Table of Contents

The fair value hierarchy of the Company s financial assets and liabilities carried at fair value and measured on a recurring basis is as follows:

	June 30, 2012	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Unaudited)		
Assets:				
Money market funds(1)	$ 9,691	$ 9,691	$	$
Short-term investments(2)	26,666		26,666	
Long-term investments(2)	11,516		11,516	
Total	$ 47,873	$ 9,691	$ 38,182	$

	December 31, 2011	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds(1)	$ 8,361	$ 8,361	$	$
Short-term investments(2)	30,684		30,684	
Long-term investments(2)	6,751		6,751	
Total	$ 45,796	$ 8,361	$ 37,435	$
Liabilities:				
Contingent consideration(3)	$ 1,405	$	$	$ 1,405
Total liabilities	$ 1,405	$	$	$ 1,405

(1) Included in cash and cash equivalents on the accompanying consolidated balance sheets; valued at quoted market prices in active markets.
(2) Short- and long-term investments consist of municipal bonds and government agency bonds; their fair value is calculated using an interest rate yield curve for similar instruments.
(3) The fair value of contingent consideration payable in connection with acquisitions was determined using a probability approach under which the contingent consideration was calculated based on the weighted probability of several forecasted outcomes and discounted using an applicable rate. This amount was paid in full during the first quarter of 2012.

4. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of purchase. Cash equivalents are carried at cost, which approximates their fair market value. Cash and cash equivalents consisted of the following:

	June 30, 2012 (Unaudited)	December 31, 2011
Cash	$ 18,677	$ 17,425
Money market funds	9,691	8,361
Total cash and cash equivalents	$ 28,368	$ 25,786

The Company s short- and long-term investments are accounted for as available for sale securities. These investments are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive (loss) income, a component of stockholders equity, net of tax. The unrealized gain, net of taxes, was $20 and $12 as of June 30, 2012 and December 31, 2011, respectively. Realized gains and losses on the sale of these investments are determined using the specific identification method. There were no realized gains or losses during the three or six months ended June 30, 2012 or 2011.

Table of Contents

Short- and long-term investments consisted of the following:

	June 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(Unaudited)		
Short- and long-term investments:				
Municipal bonds	$ 35,663	$ 33	$ (12)	$ 35,684
Government agency bonds	2,499		(1)	2,498
Total short- and long-term investments	$ 38,162	$ 33	$ (13)	$ 38,182

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short- and long-term investments:				
Municipal bonds	$ 37,416	$ 29	$ (10)	$ 37,435
Total short- and long-term investments	$ 37,416	$ 29	$ (10)	$ 37,435

The Company had eleven debt securities in an unrealized loss position at June 30, 2012. All of these securities have been in such a position for less than 12 months. The unrealized loss on those securities was approximately $12 and the fair value was $19.1 million. As of June 30, 2012, the Company does not consider these investments to be other-than-temporarily impaired.

Municipal bonds have contractual maturity dates that range from July 2012 to July 2019. All income generated from these investments is recorded as interest income.

5. Intangible Assets

Intangible assets subject to amortization as of June 30, 2012 and December 31, 2011 consist of the following:

	As of June 30, 2012			
	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net
			(Unaudited)	
Customer, affiliate and advertiser relationships	4 9	$ 7,148	$ (3,326)	$ 3,822
Developed websites	3	5,400	(4,650)	750
Trademark, trade name and domain name	1 - 7	1,821	(1,016)	805
Proprietary user information database and Internet traffic	5	5,194	(4,190)	1,004
Non-compete agreements	2 - 3	344	(233)	111
Total intangible assets		$ 19,907	$ (13,415)	$ 6,492

As of December 31, 2011

	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer, affiliate and advertiser relationships	4 - 9	$ 8,928	$ (4,509)	$ 4,419
Developed websites	3	5,400	(4,200)	1,200
Trademark, trade name and domain name	1 - 7	1,942	(978)	964
Proprietary user information database and Internet traffic	5	5,188	(3,669)	1,519
Non-compete agreements	2 - 3	343	(168)	175
Total intangible assets		$ 21,801	$ (13,524)	$ 8,277

Table of Contents

Intangible assets are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 2.13 years. Amortization expense was $0.9 million and $1.0 million for the three months ended June 30, 2012 and 2011, respectively, and $1.8 million and $2.1 million for the six months ended June 30, 2012 and 2011, respectively. Amortization expense is recorded within operating expenses as the intangible assets consist of customer-related assets and website traffic that the Company considers to be in support of selling and marketing activities. The Company wrote off $1.9 million of fully amortized intangible assets in the first half of 2012.

The Company expects amortization expense of intangible assets to be as follows:

Years Ending December 31:	Amortization Expense (Unaudited)
2012 (July 1st December 31st)	$ 1,527
2013	1,780
2014	1,385
2015	1,138
2016	662
Thereafter	
	$ 6,492

6. Net Income Per Common Share

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per common share is as follows:

	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011
		(Unaudited)		
Numerator:				
Net income	$ 1,965	$ 1,818	$ 2,330	$ 1,743
Denominator:				
Basic:				
Weighted average shares of common stock outstanding	40,185,062	38,331,895	40,023,696	38,136,159
Diluted:				
Weighted average shares of common stock outstanding	40,185,062	38,331,895	40,023,696	38,136,159
Effect of potentially dilutive shares(1)	767,262	2,358,984	878,885	2,726,364
Total weighted average shares of common stock outstanding	40,952,324	40,690,879	40,902,581	40,862,523
Net Income Per Common Share:				
Basic net income per common share	$ 0.05	$ 0.05	$ 0.06	$ 0.05
Net Income Per Common Share:				
Diluted net income per common share	$ 0.05	$ 0.04	$ 0.06	$ 0.04

(1) In calculating diluted earnings per share, 3,912,783 and 1,486,342 shares related to outstanding stock options and unvested restricted stock awards were excluded for the three months ended June 30, 2012 and 2011, respectively, and 3,989,333 and 1,094,481 shares related to outstanding stock options and unvested restricted stock awards were excluded for the six months ended June 30, 2012 and 2011, respectively, because they were anti-dilutive.

7. Bank Term Loan Payable

The Company's $5.0 million revolving credit facility was amended in August 2011, extending its term and adjusting certain other financial terms and covenants. Unless earlier payment is required by an event of default, all principal and unpaid interest will be due and payable on August 31, 2016. At the Company s option, the Revolving Credit Facility (the Credit Agreement) bears interest at either the prime rate less 1.00% or the London Interbank Offered Rate (LIBOR) plus the applicable LIBOR margin. The applicable LIBOR margin is based on the ratio of total funded debt to earnings before interest, other income and expense, income taxes, depreciation, and amortization (EBITDA) for the preceding four fiscal quarters. As of June 30, 2012, the applicable LIBOR margin was 1.25%.

Table of Contents

The Company is also required to pay an unused line fee on the daily unused amount of its Credit Agreement at a per annum rate based on the ratio of total funded debt to EBITDA for the preceding four fiscal quarters. As of June 30, 2012, the per annum unused line fee rate was 0.20%.

At June 30, 2012 and December 31, 2011 there were no amounts outstanding under the Credit Agreement. There was a $1.5 million standby letter of credit related to the Company s corporate headquarters lease outstanding at December 31, 2011 and March 31, 2012. This letter of credit was amended in May 2012, reducing the balance to $1.2 million and bringing the Company's available borrowings on the $5.0 million facility to $3.8 million.

Borrowings under the Credit Agreement are collateralized by a security interest in substantially all assets of the Company. Covenants governing the Credit Agreement include the maintenance of certain financial ratios. At June 30, 2012 the Company was in compliance with all covenants under the Credit Agreement.

8. Commitments and Contingencies

Operating Leases

The Company conducts its operations in leased office facilities under various noncancelable operating lease agreements that expire through March 2020. In August 2009, the Company entered into an agreement to lease approximately 87,875 square feet of office space in Newton, Massachusetts. The lease commenced in February 2010 and has a term of ten years. The Company is receiving certain rent concessions over the life of the lease. In November 2010, the Newton lease was amended to include an additional 8,400 square feet of office space. The amended lease commenced in March 2011 and runs concurrently with the term of the original lease. The Company is receiving certain rent concessions over the life of the amended lease.

Certain of the Company s operating leases include lease incentives and escalating payment amounts and are renewable for varying periods. The Company is recognizing the related rent expense on a straight-line basis over the term of the lease taking into account the lease incentives and escalating lease payments.

Future minimum lease payments under the Company s noncancelable operating leases at June 30, 2012 are as follows:

Years Ending December 31:	**Minimum Lease Payments (Unaudited)**
2012 (July 1st December 31st)	$ 2,106
2013	3,965
2014	3,950
2015	3,408
2016	3,485
Thereafter	10,721
	$ 27,635

The Company has an irrevocable standby letter of credit outstanding in the aggregate amount of $1.2 million. This letter of credit supports the lease the Company entered into in 2009 for its corporate headquarters. This letter of credit extends, subject to certain reductions, annually through February 28, 2020 unless notification of termination is received.

Net Worth Tax Contingency

In late March 2010, the Company received a letter from the Department of Revenue of the Commonwealth of Massachusetts (the MA DOR) requesting documentation demonstrating that TSC has been classified by the MA DOR as a Massachusetts security corporation. Following subsequent correspondence with the MA DOR and a settlement conference on March 22, 2011, the Company received on July 16, 2011 a Notice of Assessment from the MA DOR for 2006 and 2007 in the amount of approximately $198 (which amount included all interest and penalties to date) with respect to additional excise taxes on net worth related to TSC. Based on the Company s previous assessment that it was probable that the MA DOR would require an adjustment to correct TSC s tax filings such that it will be treated as a Massachusetts business corporation for the applicable years, for the year ended December 31, 2010, the Company recorded a liability of approximately $200, representing its best estimate at that time of the potential net worth tax

Table of Contents

exposure. The tax benefits available to a Massachusetts security corporation are comprised of (i) a different rate structure (1.32% on gross investment income vs. 9.5% on net income) and (ii) exemption from the 0.26% excise tax on net worth. On August 17, 2011, the Company filed Applications for Abatement with the MA DOR. On January 6, 2012, the Company filed Petitions for Formal Procedure with the Massachusetts Appellate Tax Board; a status conference has been scheduled for October 11, 2012. The Company intends to continue to dispute the assessment and believes it has meritorious defenses which it intends to vigorously assert. There were no changes to the net worth tax reserve assessment as of June 30, 2012.

Litigation

From time to time and in the ordinary course of business, the Company may be subject to various claims, charges, and litigation. At June 30, 2012 and December 31, 2011, the Company did not have any pending claims, charges, or litigation that it expects would have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

9. Comprehensive Income

Comprehensive income includes all changes in equity during a period, except those resulting from investments by stockholders and distributions to stockholders. For the three and six months ended June 30, 2012 and 2011 the Company s comprehensive income is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
	(Unaudited)			
Net income	$ 1,965	$ 1,818	$ 2,330	$ 1,743
Other comprehensive (loss) income:				
Unrealized (loss) gain on investments (net of tax effect of ($3), $2, $7 and $4, respectively)	(6)	5	1	9
Unrealized (loss) gain on foreign currency exchange	(78)	(101)	44	(84)
Other comprehensive (loss) income	(84)	(96)	45	(75)
Total comprehensive income	$ 1,881	$ 1,722	$ 2,375	$ 1,668

10. Stock-Based Compensation

Stock Option Plans

In September 1999, the Company approved a stock option plan (the 1999 Plan) that provides for the issuance of up to 12,384,646 shares of common stock incentives. The 1999 Plan provides for the granting of incentive stock options (ISOs), nonqualified stock options (NSOs), and stock grants. These incentives may be offered to the Company s employees, officers, directors, consultants, and advisors, as defined. ISOs may not be granted at less than fair market value on the date of grant, as determined by the Company s Board of Directors (the Board). Each option shall be exercisable at such times and subject to such terms as determined by the Board; grants generally vest over a four year period, and expire no later than ten years after the grant date.

In April 2007, the Board approved the 2007 Stock Option and Incentive Plan (the 2007 Plan), which was approved by the stockholders and became effective upon the consummation of the Company s initial public offering (IPO) in May 2007. Effective upon the consummation of the IPO, no further awards were made pursuant to the 1999 Plan, but any outstanding awards under the 1999 Plan will remain in effect and will continue to be subject to the terms of the 1999 Plan. The 2007 Plan allows the Company to grant ISOs, NSOs, stock appreciation rights, deferred stock awards, restricted stock and other awards. Under the 2007 Plan, stock options may not be granted at less than fair market value on the date of grant, and grants generally vest over a four year period. Stock options granted under the 2007 Plan expire no later than ten years after the grant date. The Company has reserved for issuance an aggregate of 2,911,667 shares of common stock under the 2007 Plan plus an additional annual increase to be added automatically on January 1 of each year, beginning on January 1, 2008, equal to the lesser of (a) 2% of the outstanding number of shares of common stock (on a fully-diluted basis) on the immediately preceding December 31 and (b) such lower number of shares as may be determined by the Company s compensation committee. The number of shares available for issuance under the 2007 Plan is subject to adjustment in the event of a stock split, stock dividend or other change in capitalization. Generally, shares that are forfeited or canceled from awards under the 2007 Plan also will be available for future awards. To date, approximately 4.9 million shares have been added to the plan in accordance with the automatic annual increase. In addition, shares subject to stock options returned to the 1999 Plan, as a result of their expiration, cancellation or termination, are automatically made available for issuance under the 2007 Plan. As of June 30, 2012 a total of 2,164,097 shares were available for grant under the 2007 Plan.

Table of Contents

Accounting for Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The Company calculated the fair values of the options granted using the following estimated weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
		(Unaudited)		
Expected volatility	*	*	*	79%
Expected term	*	*	*	6.25 years
Risk-free interest rate	*	*	*	2.30%
Expected dividend yield	*	*	*	0.00%
Weighted-average grant date fair value per share	*	*	*	$ 5.16

* there were no options granted in the first half of 2012 or the second quarter of 2011

As there was no public market for the Company s common stock prior to the Company s IPO in May 2007, and limited historical information on the volatility of its common stock since the date of the Company s IPO, the Company determined the volatility for options granted in the first half of 2011 based on an analysis of the historical volatility of the Company s stock and reported data for a peer group of companies that issued options with substantially similar terms. There were no stock options granted in the three or six months ended June 30, 2012.

The expected volatility of options granted has been determined using a weighted average of the historical volatility of the Company s stock and the peer group of companies for a period equal to the expected life of the option. The expected life of options has been determined utilizing the simplified method. The risk-free interest rate is based on a zero coupon United States treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero. The Company applied an estimated annual forfeiture rate based on its historical forfeiture experience of 11.3% and 3.6% in determining the expense recorded in the six months ended June 30, 2012 and 2011, respectively.

A summary of the stock option activity under the Company s stock option plan for the six months ended June 30, 2012 is presented below:

Year-to-Date Activity	Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
		(Unaudited)		
Options outstanding at December 31, 2011	6,010,000	$ 6.90		
Granted				
Exercised	(144,696)	5.26		
Forfeited	(83,438)	5.74		
Cancelled	(152,684)	9.89		
Options outstanding at June 30, 2012	5,629,182	$ 6.88	4.7	$ 1,489
Options exercisable at June 30, 2012	5,194,264	$ 6.94	4.4	$ 1,473
Options vested or expected to vest at June 30, 2012 (1)	5,580,008	$ 6.88	4.6	$ 1,487

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

During the six months ended June 30, 2012 and 2011, the total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) was $0.2 million and $0.4 million, respectively, and the total amount of cash received from exercise of these options was $0.3 million and $1.1 million, respectively. The total grant date fair value of stock options granted after January 1, 2006 that vested during the six months ended June 30, 2012 and 2011 was $0.7 million and $1.2 million, respectively.

Table of Contents

Restricted Stock Awards

Restricted stock awards are valued at the market price of a share of the Company s common stock on the date of grant. A summary of the restricted stock award activity under the 2007 Stock Plan for the six months ended June 30, 2012 is presented below:

Year-to-Date Activity	Shares	Weighted-Average Grant Date Fair Value Per Share (Unaudited)	Aggregate Intrinsic Value
Nonvested outstanding at December 31, 2011	1,663,751	$ 5.66	
Granted	606,746	6.19	
Vested	(374,248)	4.77	
Forfeited	(148,750)	6.27	
Nonvested outstanding at June 30, 2012	1,747,499	$ 5.44	$ 13,217

The total grant-date fair value of restricted stock awards that vested during the six months ended June 30, 2012 and 2011 was $1.8 million and $1.9 million, respectively. As of June 30, 2012, there was $9.7 million of total unrecognized compensation expense related to stock options and restricted stock awards which is expected to be recognized over a weighted average period of 2.2 years.

11. Stockholders Equity

Preferred Shares Authorized

In April 2007, the Board of Directors authorized 5,000,000 shares of undesignated preferred stock, par value $0.001 per share. No preferred shares have been issued as of June 30, 2012.

Reserved Common Stock

As of June 30, 2012, the Company has reserved 10,415,717 shares of common stock for options and restricted stock awards outstanding and available for grant under stock option plans.

12. Income Taxes

The Company s effective income tax rate was 42.9% and 51% for the six months ended June 30, 2012 and 2011, respectively. The effective income tax rate is based upon the estimated annual effective tax rate in compliance with ASC 740, *Income Taxes*, and other related guidance. The Company updates the estimate of its annual effective tax rate at the end of each quarterly period. The Company s estimate takes into account estimations of annual pre-tax income, the geographic mix of pre-tax income and its interpretations of tax laws.

The Company s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recognized interest and penalties totaling $9 in income tax expense in the six months ended June 30, 2012.

For the year ended December 31, 2010, the Company had recorded a tax reserve of approximately $400 for the potential state income tax liability arising from the difference between the income tax rates applicable for security corporations and business corporations in Massachusetts, relating to the matter described in Note 8. In connection with such matter, on July 16, 2011, the Company received a Notice of Assessment from the MA DOR for 2006 and 2007 in the amount of approximately $345 (which amount included all interest and penalties to date) with respect to additional income taxes related to TechTarget, Inc. The Company increased the reserve assessment to reflect additional interest accrued through the second quarter of 2012. The balance of the reserve assessment as of June 30, 2012 was $436. On August 17, 2011, the Company filed Applications for Abatement with the MA DOR. On January 6, 2012, the Company filed Petitions under Formal Procedure with the Massachusetts Appellate Tax Board; a status conference has been scheduled for October 11, 2012. The Company intends to continue to dispute the assessment and believes it has meritorious defenses which it intends to vigorously assert.

Table of Contents

Tax years 2008 through 2011 are subject to examination by the federal and state taxing authorities. The Company received notification during the second quarter of 2012 that the IRS will examine the 2009 and 2010 federal tax returns, and that New York State will examine the Company s 2008 through 2011 state returns.

There are no income tax examinations currently in process with the exception of the matter noted above related to the MA DOR.

13. Segment Information

The Company views its operations and manages its business as one operating segment based on factors such as how the Company manages its operations and how its CEO, COO and President review results and make decisions on how to allocate resources and assess performance.

Geographic Data

Net sales to unaffiliated customers by geographic area were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Unaudited)			
North America	$ 22,902	$ 25,876	$ 43,384	$ 46,666
International	3,467	2,226	6,699	4,002
Total	$ 26,369	$ 28,102	$ 50,083	$ 50,668

14. Subsequent Event

On August 7, 2012, the Company announced that, on August 3, 2012, its Board of Directors authorized a $20 million stock repurchase program. The Company is authorized to repurchase the Company s common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined based on an evaluation of market conditions and other factors. The Company may elect to implement a Rule 10b5-1 trading plan to make such purchases, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The repurchase program may be suspended or discontinued at any time. Any repurchased shares will be funded with cash on hand.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes and the other financial information included elsewhere in this Quarterly Report on Form 10-Q. In this discussion and analysis, dollar, share and per share amounts are not rounded to thousands unless otherwise indicated. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly under the heading Risk Factors.

Overview

Background

We are a leading provider of specialized online content and brand advertising that brings together buyers and sellers of corporate information technology (IT) products. We sell customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases.

Our integrated content platform consists of a network of over 115 websites that we complement with targeted in-person events. Throughout the critical stages of the purchase decision process, our content offerings meet IT professionals needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high Return on Investment (ROI). As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. Our content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of our users respective job responsibilities and the marketing focus of the products that our customers are advertising, we currently categorize our content offerings across nine distinct media groups: Application Architecture and Development; Channel; CIO/IT Strategy; Data Center and Virtualization Technologies; Business Applications and Analytics; Networking; Security; Storage; and TechnologyGuide.

Executive Summary

During 2011 and the six-month period ended June 30, 2012, we made significant progress on our strategy to grow our business and increase the reach of our offerings. It continues to be the case that, central to these efforts, is the progress that we are making with our new product platform, Activity Intelligence , and the continued expansion of our direct international capabilities.

Key strategic activities during the period ended June 30, 2012 included:

- **Activity Intelligence** Approximately 350 of our customers now have access to the Activity Intelligence dashboard, with over 40 of those customers having purchased the Nurture and Notify offering. We also have other product initiatives designed to leverage this platform in the development pipeline that we currently anticipate will increase our penetration of our accounts, as well as potentially leverage our core capabilities in complementary offerings.

Table of Contents

International Update International geo-targeted revenue grew 18% sequentially from the first quarter of 2012 and represented 20% of revenues in the second quarter. We believe that our integrated product offering across regions is resonating with international marketers and contributing to our successful results, and we plan on continuing to invest in these capabilities as we seek opportunities to increase our global reach. As noted previously, we recently established an office in Singapore to help better manage Southeast Asia sales operations and work more closely with Asia-Pacific (APAC) regional marketers. We have approximately 435,000 registered members from Southeast Asia and serve more than 8 million Southeast Asian ad impressions each quarter across our network of sites that focus on enterprise information technology topics such as data centers, virtualization, cloud computing, storage, networking and business applications. The new Singapore office adds to the established operational bases we have in APAC, including offices in China, India and Australia.

Site launches: In the six month period ended June 30, 2012, we launched the following new websites:

SearchFinancialApplications.com , a new website designed to assist business and information technology professionals using technology to manage finance and human resources (HR) functions. Launching with over 25,000 active, registered members, SearchFinancialApplications.com publishes articles, tutorials and other resources to help organizations make smarter technology purchasing decisions in areas such as accounting/general ledger (GL), procurement, analytics, employee financials, payroll, HR/HCM, talent management, workforce analytics and more.

SearchSolidStateStorage.com , a new website designed to assist information technology professionals with technical research on solid state storage products including flash technologies. Solid state storage is made from silicon microchips and unlike traditional spinning hard disk drives and tape media stores data electronically instead of magnetically, so it has no mechanical parts. Solid state storage is gaining rapid deployment as the latest in a wave of technology innovations intended to add efficiency to storage infrastructures, innovations that include data deduplication, automated tiering, thin provisioning and storage virtualization.

SearchCloudApplications.com , a new website dedicated to serving the information needs of information technology (IT) and business professionals deploying Software-as-a-Service (SaaS) business applications in the cloud, and developers and architects tasked with building custom applications leveraging the cloud.

Business Trends

The following discussion highlights key trends affecting our business.

Macro-economic Conditions and Industry Trends. Because all of our customers are IT vendors, the success of our business is intrinsically linked to the health, and subject to market conditions, of the IT industry. In addition to the ongoing instability and unpredictable growth continuing to affect the domestic and international economies, generally, in the six month period ended June 30, 2012, we saw a continued weakness in the IT market. Using the six largest Global IT vendors by revenue (HP, IBM, Dell, Microsoft, Cisco, Oracle) as a barometer, their aggregate revenue has declined, indicating that there appears to be a continuing deceleration in the growth in the Global IT market. As a result, we continue to see evidence that some IT vendors North American advertising budgets are being reduced or deferred, which is negatively affecting our results. Additionally, this deceleration has affected all segments of our customer base. As a result, until management is able to better determine if the pullback in spending by our customers is a temporary condition or a new level of spending, although we will continue to invest in growth areas, management will continue to carefully control discretionary spending such as travel and entertainment, and the filling of new and replacement positions, in an effort to maintain profit margins and cash flow.

Customer Segments. In the three-month period ended June 30, 2012 all three of our customer segments report being negatively affected by the challenging macro-economic conditions. Specifically, during that three-month period, revenues from our mid-sized customers grew in the low single digits, while revenues from the top 12 Global IT vendors and small customers declined in the single digits. All three of our customer segments report being negatively affected by macro conditions. Although we expect the short term pressure from the weak macro-economic conditions to continue, from a more long-term perspective we are encouraged by the strategic level of discussions that we continue to have with our largest customers about our new and developing product capabilities.

Table of Contents

Sources of Revenues

We sell advertising programs to IT vendors targeting a specific audience within a particular IT sector or sub-sector. We maintain multiple points of contact with our customers to provide support throughout their organizations and the sales cycle. As a result, our customers often run multiple advertising programs with us in order to reach discrete portions of our targeted audience. There are multiple factors that can impact our customers advertising objectives and spending with us, including but not limited to, product launches, increases or decreases to their advertising budgets, the timing of key industry marketing events, responses to competitor activities and efforts to address specific marketing objectives such as creating brand awareness or generating sales leads. Our services are generally delivered under short-term contracts that run for the length of a given advertising program, typically less than six months.

We use the following online and event offerings to provide IT vendors with numerous touch points to reach key IT decision makers and to provide IT professionals with highly specialized content across multiple forms of media. We are experienced in assisting advertisers to develop custom advertising programs that maximize branding and ROI. The following is a description of the services we offer:

Online. Our network of websites forms the core of our content platform. Our websites provide IT professionals with comprehensive decision support information tailored to their specific areas of responsibility and purchasing decisions. Through our websites, we offer a variety of online media offerings to connect IT vendors to IT professionals. Our lead generation offerings allow IT vendors to maximize ROI by capturing qualified sales leads from the distribution and promotion of content to our audience of IT professionals. In August of 2011, TechTarget released a major upgrade to our Activity Intelligence platform. Beginning in 2012, all of our lead generation campaigns offer the Activity Intelligence Dashboard. In March 2012, we introduced Nurture & Notify as a new service of the Activity Intelligence platform. Our branding offerings provide IT vendors exposure to targeted audiences of IT professionals actively researching information related to their products and services. Our branding offerings include display advertising and custom offerings. Display advertising can be purchased on specific websites within our network, and against specific technology segments. Our custom offerings allow customers to have content or entire micro-sites created that focus on topics related to their marketing objectives and include promotion of these vehicles to our users. These offerings give IT vendors the ability to increase their brand awareness to highly specialized IT sectors.

Our lead generation offerings include the following:

- *Activity Intelligence Dashboard.* This new technology platform gives TechTarget s customer s marketers and sales representatives a real-time view of their prospects, which includes insights on the research activities of technology buying teams, including at an account level.

- *White Papers.* White papers are technical documents created by IT vendors to describe business or technical problems which are addressed by the vendors products or services. As part of a lead generation campaign, we post white papers on our relevant websites and our users receive targeted promotions about these content assets. Prior to viewing white papers, our registered members and visitors supply their corporate contact information and agree to receive further information from the vendor. The corporate contact and other qualification information for these leads are supplied to the vendor in real time through our proprietary lead management software.

- *Webcasts, Podcasts, Videocasts and Virtual Trade Shows.* Webcasts, podcasts, videocasts, virtual trade shows and similar content bring informational sessions directly to attendees desktops and, in the case of podcasts, directly to their mobile devices. As is the case with white papers, our users supply their corporate contact and qualification information to the webcast, podcast, virtual trade show or videocast sponsor when they view or download the content. Sponsorship includes access to the registrant information and visibility before, during and after the event.

Our other offerings include the following:

- *Nurture and Notify.* This new service, using the Activity Intelligence platform, helps both technology marketers and their sales teams to identify highly active prospects, detect emerging projects, retarget interested buying teams, and accelerate engagement with specific accounts.

Custom Content Creation. In support of our advertisers lead generation programs, we will sometimes create white papers, case studies, webcasts, or videos to our customers specifications through our Custom Media team. These content assets are then promoted to our audience in the context of the advertisers lead generation programs.

Table of Contents

Content Sponsorships. IT vendors pay us to sponsor editorially created content vehicles on specific technology topics, such as e-Zines, e-Books, and e-Guides. In some cases, these vehicles are supported by multiple sponsors in a single segment, with the registrant information provided to all participating sponsors. Because these offerings are editorially driven, advertisers get the benefit of association with independently created content, and access to qualified sales leads that are researching the topic.

List Rentals. We also offer IT vendors the ability to message relevant registered members on topics related to their interests. IT vendors can rent our e-mail and postal lists of registered members using specific criteria such as company size, geography or job title.

Third Party Revenue Sharing Arrangements. We have arrangements with certain third parties, including for the licensing of our online content, for the renting of our database of opted-in e-mail subscribers and for which advertising from customers of certain third parties is made available to our website visitors. In each of these arrangements we are paid a share of the resulting revenue.

Events. Events revenue represented approximately 13% and 14% of total revenues for the three months ended June 30, 2012 and 2011, respectively, and approximately 10% and 12% of total revenues for the six months ended June 30, 2012 and 2011, respectively. Most of our media groups operate revenue generating events. The majority of our events are free to IT professionals and are sponsored by IT vendors. Attendees are pre-screened based on event-specific criteria such as sector-specific budget size, company size, or job title. We offer three types of events: multi-day conferences, single-day seminars and custom events. Multi-day conferences provide independent expert content for our attendees and allow vendors to purchase exhibit space and other sponsorship offerings that enable interaction with the attendees. We also hold single-day seminars on various topics in major cities. These seminars provide independent content on key sub-topics in the sectors we serve, are free to qualified attendees, and offer multiple vendors the ability to interact with specific, targeted audiences actively focused on buying decisions. Our custom events differ from our seminars in that they are exclusively sponsored by a single IT vendor, and the content is driven primarily by the sole sponsor.

Cost of Revenues, Operating Expenses and Other

Expenses consist of cost of revenues, selling and marketing, product development, general and administrative, depreciation, and amortization expenses. Personnel-related costs are a significant component of most of these expense categories except for depreciation and amortization.

Cost of Online Revenue. Cost of online revenue consists primarily of: salaries and related personnel costs; member acquisition expenses (primarily keyword purchases from leading Internet search sites); freelance writer expenses; website hosting costs; vendor expenses associated with the delivery of webcast, podcast, videocast and similar content, and list rental offerings; stock-based compensation expenses; facilities and other related overhead.

Cost of Events Revenue. Cost of events revenue consists primarily of: facility expenses, including food and beverages for the event attendees as well as office space; salaries and related personnel costs; event speaker expenses; stock-based compensation expenses; and other related overhead.

Selling and Marketing. Selling and marketing expense consists primarily of: salaries and related personnel costs; sales commissions; travel, lodging and other out-of-pocket expenses; stock-based compensation expenses; facilities and related overhead. Sales commissions are recorded as expense when earned by the employee, based on recorded revenue.

Product Development. Product development expense includes the creation and maintenance of our network of websites, advertiser offerings and technical infrastructure. Product development expense consists primarily of salaries and related personnel costs; stock-based compensation expenses; facilities and other related overhead.

General and Administrative. General and administrative expense consists primarily of: salaries and related personnel costs; facilities expenses; accounting, legal and other professional fees; and stock-based compensation expenses.

Depreciation. Depreciation expense consists of the depreciation of our property and equipment. Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives, ranging from two to ten years.

22

Table of Contents

Amortization of Intangible Assets. Amortization of intangible assets expense consists of the amortization of intangible assets recorded in connection with our acquisitions. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives, which range from one to nine years, using methods that are expected to reflect the estimated pattern of economic use.

Interest Income (Expense), Net. Interest income (expense), net consists primarily of interest income earned on cash, cash equivalents and short and long-term investments less any interest expense incurred. We historically have invested our cash in money market accounts, municipal bonds and government agency bonds.

Application of Critical Accounting Policies and Use of Estimates

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, long-lived assets, the allowance for doubtful accounts, stock-based compensation, and income taxes. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements. See the notes to our consolidated financial statements for information about these critical accounting policies as well as a description of our other accounting policies.

Revenue Recognition

We generate substantially all of our revenue from the sale of targeted advertising campaigns which we deliver via our network of websites and events. In all cases, we recognize revenue only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The majority of our online media sales involve multiple product offerings. Although each of our online media offerings can be sold separately, most of our online media sales involve multiple online offerings. Because objective evidence of fair value does not exist for all elements in our bundled product offerings, we use a best estimate of selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third party evidence of selling price. We establish best estimates considering multiple factors including, but not limited to, class of client, size of transaction, available media inventory, pricing strategies and market conditions. We believe the use of the best estimate of selling price allows revenue recognition in a manner consistent with the underlying economics of the transaction. We apply a relative selling price method to allocate arrangement consideration at the inception of the arrangement to each deliverable in a multiple element arrangement. Revenue is then recognized as delivery occurs.

We evaluate all deliverables of an arrangement at inception and each time an item is delivered, to determine whether they represent separate units of accounting. Based on this evaluation, the arrangement consideration is measured and allocated to each of these elements.

Event Sponsorships. We sell our events separately from our other service offerings and recognize sponsorship revenue from events in the period in which the event occurs. The majority of our events are free to qualified attendees; however, certain events are based on a paid attendee model. We recognize revenue for paid attendee events upon completion of the event. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Online Media. Revenue for lead generation campaigns is recognized as follows:

> Beginning in the period ended March 31, 2012, our lead generation campaigns all offer the Activity Intelligence Dashboard. In order to manage the lead generation component, we have changed our operational approach and the contractual terms and conditions under which we sell our products. Instead of selling individual elements, we sell various lead generation campaigns with the dashboard. Revenue is recognized ratably over the duration of the campaigns. As part of these offerings, we will guarantee a minimum number of qualified leads to be delivered over the course of the advertising campaign. We determine the content necessary to achieve performance guarantees. Scheduled end dates of advertising campaigns sometimes need to be extended, pursuant to the terms of the

arrangement, to satisfy lead guarantees.

Table of Contents

In 2011, revenue for elements of lead generation campaigns was recognized as follows:

White Papers. White paper revenue was recognized ratably over the period in which the white paper was available on our websites.

Webcasts, Podcasts, Videocasts and Virtual Trade Shows. Webcast, podcast, videocast, virtual trade show and similar content revenue was recognized ratably over the period in which the webcast, podcast, videocast or virtual trade show was available on our websites.

As part of these offerings, we will guarantee a minimum number of qualified leads to be delivered over the course of the advertising campaign. Scheduled end dates of advertising campaigns sometimes need to be extended, pursuant to the terms of the arrangement, to satisfy lead guarantees or to fulfill all elements of the advertising campaign based on delayed receipts of advertising media collateral from the customer.

Revenue for other online media offerings is recognized as follows for 2011 as well as for the three and six-month periods ended June 30, 2012:

Custom Content Creation. Custom content revenue is recognized when the creation is completed and delivered to the customer.

Content Sponsorships. Content sponsorship revenue is recognized ratably over the period in which the related content vehicle is available on our websites.

List Rentals. List rental revenue is recognized in the period in which the list is sent to our customers.

Banners. Banner revenue is recognized in the period in which the banner impressions or clicks occur.

Third Party Revenue Sharing Arrangements. Revenue from third party revenue sharing arrangements is recognized on a net basis in the period in which the services are performed. For certain third party agreements where we are the primary obligor, revenue is recognized on a gross basis in the period in which the services are performed.

We recognize revenue from cost per lead advertising in the period during which the leads are delivered, which is typically less than six months.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Long-Lived Assets

Our long-lived assets consist primarily of property and equipment, goodwill and other intangible assets. Goodwill and other intangible assets have arisen principally from our acquisitions. The amount assigned to intangible assets is subjective and based on our estimates of the future benefit of the intangible assets using accepted valuation techniques, such as discounted cash flow and replacement cost models. Our long-lived assets, other than goodwill, are amortized over their estimated useful lives, which we determined based on the consideration of several factors including the period of time the asset is expected to remain in service. Intangible assets are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use. We evaluate the carrying value and remaining useful lives of long-lived assets, other than goodwill, whenever indicators of impairment are present. We evaluate the carrying value of goodwill annually, and whenever indicators of impairment are present. We use a discounted cash flow approach to determine the fair value of goodwill.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term and long-term investments, accounts receivable and accounts payable. The carrying value of these instruments approximates their estimated fair values.

24

Table of Contents

Allowance for Doubtful Accounts

We offset gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts on a regular basis, and all past due balances are reviewed individually for collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for doubtful accounts are recorded in general and administrative expense. If our historical collection experience does not reflect our future ability to collect outstanding accounts receivable, our future provision for doubtful accounts could be materially affected. To date, we have not incurred any write-offs of accounts receivable significantly different than the amounts reserved.

The allowance for doubtful accounts was $0.8 million at June 30, 2012 and $1.1 million at December 31, 2011.

Stock-Based Compensation

We measure stock-based compensation at the grant date based on the fair value of the award and recognize stock-based compensation expense in the Statement of Operations using the straight-line method over the vesting period of the award or using the accelerated method if the award is contingent upon performance goals. We use the Black-Scholes option-pricing model to determine the fair-value of stock option awards. We calculated the fair values of the options granted using the following estimated weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Expected volatility	*	*	*	79%
Expected term	*	*	*	6.25 years
Risk-free interest rate	*	*	*	2.30%
Expected dividend yield	*	*	*	0.00%
Weighted-average grant date fair value per share	*	*	*	$5.16

* there were no options granted in the first half of 2012 or the second quarter of 2011

As there was no public market for our common stock prior to our initial public offering in May 2007, and there has been limited historical information on the volatility of our common stock since the date of our initial public offering, we determined the volatility for options granted in the first half of 2011 based on an analysis of the historical volatility of our stock and reported data for a peer group of companies that issued options with substantially similar terms. There were no options granted during the six months ended June 30, 2012.

The expected volatility of options granted has been determined using a weighted average of the historical volatility of our stock and the peer group of companies for a period equal to the expected life of the option. The risk-free interest rate is based on a zero coupon United States treasury instrument whose term is consistent with the expected life of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. We applied an estimated annual forfeiture rate based on our historical forfeiture experience of 11.3% and 3.6% in determining the expense recorded in the six months ended June 30, 2012 and 2011, respectively.

Internal-Use Software and Website Development Costs

We capitalize costs of materials, consultants and compensation and related expenses of employees who devote time to the development of internal-use software and website applications and infrastructure involving developing software to operate our websites. However, we expense as incurred website development costs for new features and functionalities since it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our websites. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our websites, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted. We review capitalized internal-use software and website development costs for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We would recognize an impairment loss only if the carrying amount of the asset is not recoverable and exceeds its fair value. We capitalized internal-use software and website development costs of $0.7 million and $0.8 million for the three months ended June 30, 2012 and 2011, respectively, and $1.6 million for the six months ended June 30, 2012 and 2011.

Table of Contents

Income Taxes

We are subject to income taxes in both the United States and foreign jurisdictions, and we use estimates in determining our provision for income taxes. We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates.

Our deferred tax assets are comprised primarily of book to tax differences on stock-based compensation and net operating loss (NOL) carryforwards. As of December 31, 2011, we had state NOL carryforwards of approximately $17.6 million, which may be used to offset future taxable income. The NOL carryforwards expire through 2029.

Net Income (Loss) Per Share

We calculate basic earnings per share (EPS) by dividing earnings available to common shareholders for the period by the weighted average number of common shares and vested, undelivered restricted stock awards. Because the holders of unvested restricted stock awards do not have nonforfeitable rights to dividends or dividend equivalents, we do not consider these awards to be participating securities that should be included in our computation of earnings per share under the two-class method. Diluted EPS is computed using the weighted-average number of common shares and vested, undelivered restricted stock awards during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted EPS, the dilutive effect of stock options and restricted stock awards is computed using the average market price for the respective period. In addition, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options and restricted stock awards that are in-the-money. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options.

Results of Operations

The following table sets forth our results of operations for the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
	($ in thousands)							
Revenues:								
Online	$ 23,038	87%	$ 24,151	86%	$ 45,109	90%	$ 44,531	88%
Events	3,331	13	3,951	14	4,974	10	6,137	12
Total revenues	26,369	100	28,102	100	50,083	100	50,668	100
Cost of revenues:								
Online	5,949	23	5,720	20	11,990	24	11,326	22
Events	1,154	4	1,242	4	1,917	4	2,119	4
Total cost of revenues	7,103	27	6,962	25	13,907	28	13,445	27
Gross profit	19,266	73	21,140	75	36,176	72	37,223	73
Operating expenses:								
Selling and marketing	9,227	35	10,184	36	18,390	37	18,815	37
Product development	1,881	7	1,870	7	3,736	7	3,816	8
General and administrative	2,979	11	3,458	12	6,627	13	7,257	14
Restructuring			384	1			384	1