

TechTarget Inc
Form 10-Q
May 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

04-3483216
(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 No

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

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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

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

The registrant had 38,438,529 shares of Common Stock, \$0.001 par value per share, outstanding as of April 30, 2013.

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Table of Contents**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

TECHTARGET, INC.**Consolidated Balance Sheets****(In thousands, except share and per share data)**

| | March 31, 2013 (Unaudited) | December 31, 2012 |
|--|----------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 25,388 | \$ 48,409 |
| Short-term investments | 6,569 | 6,610 |
| Accounts receivable, net of allowance for doubtful accounts of \$647 and \$911 as of March 31, 2013 and December 31, 2012, respectively | 25,621 | 24,185 |
| Prepaid expenses and other current assets | 5,641 | 1,427 |
| Deferred tax assets | 863 | 862 |
| Total current assets | 64,082 | 81,493 |
| Property and equipment, net | 9,057 | 8,817 |
| Long-term investments | 29,961 | 21,321 |
| Goodwill | 93,988 | 93,792 |
| Intangible assets, net of accumulated amortization | 6,219 | 7,043 |
| Deferred tax assets | 7,156 | 7,457 |
| Other assets | 294 | 269 |
| Total assets | \$ 210,757 | \$ 220,192 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,161 | \$ 2,907 |
| Accrued expenses and other current liabilities | 4,443 | 3,535 |
| Accrued compensation expenses | 510 | 1,233 |
| Income taxes payable | | 1,186 |
| Deferred revenue | 7,346 | 5,985 |
| Total current liabilities | 14,460 | 14,846 |
| Long-term liabilities: | | |
| Deferred rent | 3,174 | 3,250 |
| Deferred tax liabilities | 695 | 702 |
| Contingent consideration | 1,171 | 1,180 |
| Other liabilities | 904 | 900 |
| Total liabilities | 20,404 | 20,878 |
| Commitments and contingencies (Note 9) | | |
| 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, 46,551,585 shares issued and 38,504,216 shares outstanding at March 31, 2013 and 45,461,257 shares issued and 39,507,439 shares outstanding at December 31, 2012 | 47 | 46 |

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| | | |
|---|------------|------------|
| Treasury stock | (45,922) | (35,810) |
| Additional paid-in capital | 265,927 | 263,426 |
| Accumulated other comprehensive income (loss) | 55 | (136) |
| Accumulated deficit | (29,754) | (28,212) |
| Total stockholders' equity | 190,353 | 199,314 |
| Total liabilities and stockholders' equity | \$ 210,757 | \$ 220,192 |

See accompanying notes.

Table of Contents**TECHTARGET, INC.****Consolidated Statements of Operations and Comprehensive (Loss) Income****(In thousands, except per share data)**

| | For the Three Months Ended March 31, | |
|---|---|---------------|
| | 2013 | 2012 |
| | (Unaudited) | |
| Revenues: | | |
| Online | \$ 18,475 | \$ 22,071 |
| Events | 1,073 | 1,643 |
| Total revenues | 19,548 | 23,714 |
| Cost of revenues: | | |
| Online ⁽¹⁾ | 5,928 | 6,041 |
| Events ⁽¹⁾ | 676 | 764 |
| Total cost of revenues | 6,604 | 6,805 |
| Gross profit | 12,944 | 16,909 |
| Operating expenses: | | |
| Selling and marketing ⁽¹⁾ | 9,120 | 9,163 |
| Product development ⁽¹⁾ | 1,741 | 1,855 |
| General and administrative ⁽¹⁾ | 3,307 | 3,649 |
| Depreciation | 872 | 767 |
| Amortization of intangible assets | 734 | 937 |
| Total operating expenses | 15,774 | 16,371 |
| Operating (loss) income | (2,830) | 538 |
| Interest income, net | 3 | 25 |
| (Loss) income before (benefit from) provision for income taxes | (2,827) | 563 |
| (Benefit from) provision for income taxes | (1,285) | 198 |
| Net (loss) income | \$ (1,542) | \$ 365 |
| Net (loss) income per common share: | | |
| Basic | \$ (0.04) | \$ 0.01 |
| Diluted | \$ (0.04) | \$ 0.01 |
| Weighted average common shares outstanding: | | |
| Basic | 40,023 | 39,862 |
| Diluted | 40,023 | 40,853 |
| Comprehensive (loss) income | \$ (1,351) | \$ 494 |

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

| | | | | |
|----------------------------|----|-----|----|-----|
| Cost of online revenue | \$ | 47 | \$ | 53 |
| Cost of events revenue | | 4 | | 4 |
| Selling and marketing | | 703 | | 731 |
| Product development | | 53 | | 65 |
| General and administrative | | 624 | | 441 |

See accompanying notes.

Table of Contents**TECHTARGET, INC.****Consolidated Statements of Cash Flows****(In thousands)**

| | Three Months Ended March 31, 2013 2012 (Unaudited) | |
|--|--|---------|
| Operating Activities: | | |
| Net (loss) income | \$ (1,542) | \$ 365 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 1,606 | 1,704 |
| Provision for bad debt | 143 | 271 |
| Amortization of investment premiums | 116 | 330 |
| Stock-based compensation expense | 1,429 | 1,294 |
| Deferred tax benefit | (1) | (5) |
| Excess tax benefit stock options | (434) | (198) |
| Other non-cash | (86) | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,536) | (3,536) |
| Prepaid expenses and other current assets | (4,234) | (1,462) |
| Other assets | (36) | (141) |
| Accounts payable | (739) | 585 |
| Income taxes payable | (838) | (1,089) |
| Accrued expenses and other current liabilities | 1,023 | (905) |
| Accrued compensation expenses | (680) | (379) |
| Deferred revenue | 1,361 | 1,738 |
| Other liabilities | 6 | (66) |
| Net cash used in operating activities | (4,442) | (1,494) |
| Investing activities: | | |
| Purchases of property and equipment, and other assets | (1,151) | (1,481) |
| Purchases of investments | (8,710) | (1,040) |
| Proceeds from sales and maturities of investments | | 2,000 |
| Net cash used in investing activities | (9,861) | (521) |
| Financing activities: | | |
| Excess tax benefit stock options | 434 | 198 |
| Purchase of treasury shares | (10,112) | |