

TechTarget Inc
Form 10-Q
August 09, 2010

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 June 30, 2010

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
(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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

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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 Smaller Reporting Company
(Do not check if a
smaller reporting
company)

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

The registrant had 42,598,372 shares of Common Stock, \$0.001 par value per share, outstanding as of July 30, 2010.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$18,523	\$20,884
Short-term investments	51,961	50,496
Accounts receivable, net of allowance for doubtful accounts of \$534 and \$483 as of June 30, 2010 and December 31, 2009, respectively	26,917	16,623
Prepaid expenses and other current assets	1,819	1,929
Deferred tax assets	697	2,399
Total current assets	99,917	92,331
Property and equipment, net	5,916	3,760
Long-term investments	7,314	11,177
Goodwill	90,222	88,958
Intangible assets, net of accumulated amortization	11,968	12,528
Deferred tax assets	6,904	5,182
Other assets	125	127
Total assets	\$222,366	\$214,063
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$3,287	\$3,106
Accrued expenses and other current liabilities	2,175	2,910
Accrued compensation expenses	1,371	808
Income taxes payable	281	398
Deferred revenue	9,337	8,402
Total current liabilities	16,451	15,624
Long-term liabilities:		
Other liabilities	3,329	575
Total liabilities	19,780	16,199
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, 42,510,326 and 42,109,965 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	43	42
Additional paid-in capital	240,223	233,555
Warrants	—	2
Accumulated other comprehensive (loss) income	(43) 8
Accumulated deficit	(37,637) (35,743
Total stockholders' equity	202,586	197,864

Total liabilities and stockholders' equity	\$222,366	\$214,063
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See accompanying notes.

TECHTARGET, INC.

Consolidated Statements of Operations
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	2010	June 30, 2009	2010	June 30, 2009
	(Unaudited)			
Revenues:				
Online	\$20,626	\$17,801	\$39,187	\$34,083
Events	4,447	3,936	6,929	6,126
Total revenues	25,073	21,737	46,116	40,209
Cost of revenues:				
Online(1)	4,792	4,776	9,328	9,656
Events(1)	1,302	1,455	2,166	2,536
Total cost of revenues	6,094	6,231	11,494	12,192
Gross profit	18,979	15,506	34,622	28,017
Operating expenses:				
Selling and marketing(1)	8,991	8,023	17,904	15,539
Product development(1)	2,021	2,194	4,206	4,275
General and administrative(1)	4,804	4,064	10,299	7,983
Depreciation	642	498	1,167	1,034
Amortization of intangible assets	1,140	1,181	2,275	2,396
Total operating expenses	17,598	15,960	35,851	31,227
Operating income (loss)	1,381	(454)	(1,229)	(3,210)
Interest income, net	84	174	191	64
Income (loss) before provision for (benefit from)				
income taxes	1,465	(280)	(1,038)	(3,146)
Provision for (benefit from) income taxes	1,019	263	856	(295)
Net income (loss)	\$446	\$(543)	\$(1,894)	\$(2,851)
Net income (loss) per common share:				
Basic	\$0.01	\$(0.01)	\$(0.04)	\$(0.07)
Diluted	\$0.01	\$(0.01)	\$(0.04)	\$(0.07)
Weighted average common shares outstanding:				
Basic	42,944	41,760	42,712	41,757
Diluted	45,053	41,760	42,712	41,757
(1) Amounts include stock-based compensation expense as follows:				
Cost of online revenue	\$86	\$78	\$174	\$312
Cost of events revenue	20	36	46	53
Selling and marketing	1,535	1,478	3,464	2,806
Product development	155	132	316	263
General and administrative	1,359	917	2,584	1,810

See accompanying notes.

TECHTARGET, INC.

Consolidated Statements of Cash Flows
(In thousands)

	Six Months Ended June 30,	
	2010	2009
	(Unaudited)	
Operating Activities:		
Net loss	\$(1,894)	\$(2,851)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,442	3,430
Provision for bad debt	93	13
Amortization of investment premiums	852	906
Stock-based compensation expense	6,584	5,244
Deferred tax benefit	(415)	(110)
Excess tax benefit – stock options	(121)	—
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(9,607)	3,508
Prepaid expenses and other current assets	110	409
Other assets	2	51
Accounts payable	175	(248)
Income taxes payable	121	—
Accrued expenses and other current liabilities	(735)	(1,065)
Accrued compensation expenses	563	88
Deferred revenue	365	(317)
Other liabilities	1,310	(77)
Net cash provided by operating activities	845	8,981
Investing activities:		
Purchases of property and equipment, and other assets	(3,278)	(579)
Purchases of investments	(21,707)	(12,889)
Proceeds from sales and maturities of investments	23,175	15,253
Acquisition of businesses	(1,790)	—
Net cash (used in) provided by investing activities	(3,600)	1,785
Financing activities:		
Payments on bank term loan payable	—	(1,500)
Excess tax benefit—stock options	121	—
Proceeds from exercise of stock options	273	12
Net cash provided by (used in) financing activities	394	(1,488)
Net (decrease) increase in cash and cash equivalents	(2,361)	9,278
Cash and cash equivalents at beginning of period	20,884	