

TechTarget Inc
Form 10-Q
August 09, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

☐ o

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 ☒ x No ☐ o

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 ☐ o No ☐ o

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	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	24,130
Cash and cash equivalents at end of period	\$18,523	\$33,408
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$—	\$80
Cash paid (refunded) for taxes	\$825	\$(760)

See accompanying notes.

TECHTARGET, INC.

Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

1. Organization and Operations

TechTarget, Inc. (the Company) is a leading provider of specialized online content 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 more than 80 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 that 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 ten distinct media groups: Application Development; Channel; CIO/IT Strategy; Data Center and Virtualization Technologies; Enterprise Applications; Networking; Security; Storage; TechnologyGuide.com; and Vertical Software.

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 the 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 and TechTarget Limited. KnowledgeStorm, Inc. and Bitpipe, Inc. are leading websites providing in-depth vendor generated content targeted toward corporate IT professionals. TechTarget Securities Corporation is a Massachusetts Securities Corporation incorporated in 2004. TechTarget Limited is a subsidiary doing business principally in the United Kingdom. All significant intercompany accounts and transactions 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 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, 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Revenue Recognition

The Company generates substantially all of its revenue from the sale of targeted advertising campaigns that 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.

Although each of the Company's online media offerings can be sold separately, the majority of the Company's online media sales involve multiple online offerings. Because objective evidence of fair value does not exist for all elements in the Company's bundled advertising campaigns, no allocation can be made among the various elements, and the Company recognizes revenue on all items ratably over the term of the arrangement.

Event Sponsorships. Sponsorship revenue from events is recognized upon completion of the event in the period the event occurs. 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 and receipt of payment from the attendee. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Online Media. Revenue for online media offerings is recognized for specific online media offerings as follows when these items are sold separately:

- **White Papers.** White paper revenue is recognized ratably over the period in which the white paper is available on the Company's websites.
- **Webcasts, Podcasts, Videocasts and Virtual Trade Shows.** Webcast, podcast, videocast and virtual trade show revenue is recognized ratably over the period in which the webcast, podcast, videocast or virtual trade show is available on the Company's websites.
- **Software Package Comparisons.** Software package comparison revenue is recognized ratably over the period in which the software information is available on the Company's websites or in the period in which leads are delivered, depending on the pricing model.
- **Custom Media.** Custom media revenue is recognized ratably over the period in which the custom media asset is available on the Company's websites.
- **Promotional E-mails and E-newsletters.** Promotional e-mail revenue is recognized ratably over the period in which the related content asset is available on its websites because promotional e-mails do not have standalone value from the related content asset. E-newsletter revenue is recognized in the period in which the e-newsletter is sent.
- **List Rentals.** List rental revenue is recognized in the period in which the e-mail is sent to the list of registered members.
- **Banners.** Banner revenue is recognized in the period in which the banner impressions 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.

The Company offers customers the ability to purchase integrated ROI program offerings, which can include any of its online media offerings packaged together to address the particular customer's specific advertising requirements. As part of these offerings, the Company will guarantee a minimum number of qualified sales leads to be delivered over the course of the advertising campaign. Scheduled end dates of advertising campaigns are sometimes extended to satisfy lead guarantees or fulfill all elements of the advertising campaign based on various factors, including delayed receipt of advertising media collateral from the customer. The Company estimates the revenue reserve necessary to properly defer revenue recognition for extended advertising campaigns. These estimates are based on the Company's experience in managing and fulfilling these integrated ROI program offerings. Historically, shortfalls in fulfilling lead guarantees before the scheduled completion date of an advertising campaign are satisfied within an average of 36 days of such scheduled completion date. These integrated ROI program offerings represented approximately 43% and 46% of online revenues, and 35% and 38% of total revenues for the three months ended June 30, 2010 and 2009, respectively, and approximately 45% of online revenues, and 39% of total revenues for each of the six month periods ended June 30, 2010 and 2009.

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. The carrying value of these instruments approximates their estimated fair values.

Long-lived Assets

Long-lived assets consist of property and equipment, goodwill and other intangible assets. 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 assets acquired not allocated to specific intangible assets.

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 on 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.

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 shall 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 \$0.5 million and \$0.1 million for the three months ended June 30, 2010 and 2009, respectively and \$1.0 million and \$0.3 million for the six months ended June 30, 2010 and 2009, respectively.

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. If required, 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 recognizes any interest and penalties related to unrecognized tax benefits in income tax expense.

Stock-Based Compensation

At June 30, 2010, the Company had two stock-based employee compensation plans which are more fully described in Note 11. 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 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 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 that are in-the-money. This results in the “assumed” buyback of additional shares, thereby reducing the dilutive impact of stock options.

Recent Accounting Pronouncements

In September 2009, the FASB ratified Accounting Standards Update (ASU) 2009-13 (ASU 2009-13) (previously Emerging Issues Task Force (EITF) Issue No. 08-1, Revenue Arrangements with Multiple Deliverables (EITF 08-1)), which updates the existing multiple-element revenue arrangements guidance currently included in Accounting Standards Codification 605-25. ASU 2009-13 will require companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of ASU 2009-13 on its consolidated results of operations and financial condition and the Company's planned date of adoption.

In October 2009, the FASB issued Accounting Standards Update 2009-14, Certain Revenue Arrangements That Include Software Elements (ASU 2009-14). ASU 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU 2009-13. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption and retrospective application are also permitted. The Company is currently evaluating the impact of adopting the provisions of ASU 2009-14.

In December 2009, the FASB issued Accounting Standards Update 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17). ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The new standard requires a number of new disclosures, including additional disclosures about the reporting entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity is required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. ASU 2009-17 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. Based on the Company's evaluation of ASU 2009-17, the adoption of this statement did not impact the Company's consolidated financial statements.

Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value allows entities determining the fair value of a liability to use the perspective of an investor that holds the related obligation as an asset. The ASU is effective for interim and annual periods beginning after August 27, 2009, and applies to all fair-value measurements of liabilities required by GAAP. Additionally, effective January 1, 2010, the Company adopted ASU 2010-06, Improving Disclosures about Fair Value Measurements, which requires additional disclosures regarding assets and liabilities measured at fair value. The adoption of these requirements did not have a material impact on the Company's consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09, which amends the Subsequent Events Topic of the ASC to eliminate the requirement for public companies to disclose the date through which subsequent events have been evaluated. The Company will continue to evaluate subsequent events through the date of the issuance of the financial statements; however, consistent with the guidance, this date will no longer be disclosed. This change did not affect the Company's consolidated financial statements.

3. Fair Value Measurements

The Company measures certain financial assets at fair value on a recurring basis, including cash equivalents, and short and long-term investments. The fair value of these financial assets 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.

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:

		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)
	June 30, 2010	(Unaudited)		
Money market funds(1)	\$15,275	\$15,275	\$—	\$—
Short-term investments	51,961	—	51,961	—
Long-term investments	7,314	—	7,314	—
Total	\$74,550	\$15,275	\$59,275	\$—

		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)
	December 31, 2009			
Money market funds(1)	\$6,271	\$6,271	\$—	\$—
Short-term investments	50,496	—	50,496	—
Long-term investments	11,177	—	11,177	—
Total	\$67,944	\$6,271	\$61,673	\$—

(1) Included in cash and cash equivalents on the accompanying consolidated balance sheet.

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, 2010 (Unaudited)	December 31, 2009
Cash	\$3,248	\$14,613
Money market funds	15,275	6,271
Total cash and cash equivalents	\$18,523	\$20,884

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 (loss) gain, net of taxes, was \$(39) and \$6 as of June 30, 2010 and December 31, 2009, respectively. Realized gains and losses on the sale of these investments are determined using the specific identification method. There were no realized gains during the three and six months ended June 30, 2010. Realized gains totaled \$8 and \$17 in the three and six months ended June 30, 2009, respectively.

Short and long-term investments consisted of the following:

		June 30, 2010		
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short and long-term investments:		(Unaudited)		
Government agency bonds	\$8,078	\$9	\$-	\$8,087
Municipal bonds	51,265	10	(87)	51,188
Total short and long-term investments	\$59,343	\$19	\$(87)	\$59,275

	Cost	December 31, 2009		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Short and long-term investments:				
Government agency bonds	\$8,168	\$-	\$(9)	\$8,159
Municipal bonds	53,495	42	(23)	53,514
Total short and long-term investments	\$61,663	\$42	\$(32)	\$61,673

The Company had 22 debt securities in an unrealized loss position at June 30, 2010. All of these securities have been in such a position for less than 12 months. The unrealized loss on those securities was approximately \$0.1 million and the fair value was \$27.2 million. As of June 30, 2010, the Company does not consider these investments to be other-than-temporarily impaired.

Municipal bonds have contractual maturity dates within eighteen months. All income generated from these investments is recorded as interest income.

5. Acquisitions

On April 12, 2010, the Company acquired certain assets of Powell Media LLC for \$1.3 million in cash plus a potential future earnout valued at \$0.9 million. Powell Media LLC operates the BeyeNETWORK, a group of online technology sites that provide news, expert information and exclusive resources on the business information management lifecycle, including business intelligence (BI) best practices, business analytics, data integration, and data governance. All of the sites' content is written by industry experts who share their experiences and research in a collection of articles, podcasts, and blogs focused on specific vertical industries.

In connection with this acquisition, the Company purchased \$0.2 million of net tangible assets and recorded \$0.9 million of goodwill and \$1.0 million of intangible assets related to customer relationships, a member database, a non-compete agreement and trade names with estimated useful lives ranging from three to six years.

The estimated fair value of the \$1.0 million of acquired intangible assets is assigned as follows:

	Useful Life	Estimated Fair Value
Customer relationship intangible asset	72 months	\$460
Member database intangible asset	60 months	350
Non-compete agreement intangible asset	36 months	110
Trade name intangible asset	60 months	100
Total intangible assets		\$1,020

The Company engaged a third party valuation specialist to assist management in determining the fair value of the earnout and the intangible assets of Powell Media LLC. The potential future earnout was valued using a probability approach under which the earnout was calculated based on the weighted probability of several forecasted outcomes. The estimated earnout was then discounted using a rate of 5.75%. To value the customer relationship assets, an income approach was used, specifically a variation of the discounted cash-flow method known as the multi-period excess earnings method. The projected net cash flows for Powell Media LLC were tax affected using an effective rate of 41% and then discounted using a discount rate of 23% to calculate the value of the customer relationship asset. Additionally, the present value of the sum of projected tax benefits was added to arrive at the total fair value of the customer relationship asset. To value the member database, a replacement cost approach was used, specifically a calculation of costs to acquire new members based on TechTarget's cost history over the past two years divided by new members acquired. The calculated cost per new member acquired was used to calculate the cost to acquire the members in the Powell Media LLC member database. Additionally, the present value of the sum of projected tax benefits was added to the calculated replacement cost to calculate the total fair value of the member database asset. To value the non-compete agreement a comparative business valuation method was used. Based on a non-compete term of 36 months, management projected net cash flows for the Company with and without the non-compete agreement in place. The present value of the sum of the difference between the net cash flows with and without the non-compete agreement in place was calculated, based on a discount rate of 23%. To value the trade name intangible asset a relief from royalty method was used to estimate the pre-tax royalty savings to the Company related to the Powell Media LLC trade names. The projected net cash flows from the pre-tax royalty savings were tax affected using an effective rate of 41% and then discounted using a discount rate of 23% to calculate the value of the trade name intangible asset.

On March 1, 2010, the Company acquired ebizQ.net and certain other assets from IT Quadrant, Inc. for \$0.5 million in cash plus a potential future earnout valued at \$0.6 million. ebizQ.net is a leading website for business and information technology (IT) decision makers focused on Business Process Management (BPM) and Service-Oriented Architecture (SOA). ebizQ.net maintains an online community with more than 100,000 members that provides original editorial and independent content from leading industry analysts and experts via blogs, webinars, podcasts, white papers, and virtual events.

In connection with this acquisition, the Company purchased \$0.1 million of tangible assets and recorded \$0.3 million of goodwill and \$0.7 million of intangible assets related to customer relationships, a member database, a non-compete agreement and trade names with estimated useful lives ranging from three to six years.

The estimated fair value of \$0.7 million of acquired intangible assets is assigned as follows:

	Useful Life	Estimated Fair Value
Customer relationship intangible asset	72 months	\$280
Member database intangible asset	60 months	240
Non-compete agreement intangible asset	36 months	80
Trade name intangible asset	60 months	60
Total intangible assets		\$660

The Company engaged a third party valuation specialist to assist management in determining the fair value of the earnout and the intangible assets of IT Quadrant, Inc. The potential future earnout was valued using a probability approach under which the earnout was calculated based on the weighted probability of several forecasted outcomes. The estimated earnout was then discounted using a rate of 5.75%. To value the customer relationship assets, an income approach was used, specifically a variation of the discounted cash-flow method known as the multi-period excess earnings method. The projected net cash flows for IT Quadrant, Inc. were tax affected using an effective rate of 41% and then discounted using a discount rate of 23% to calculate the value of the customer relationship asset. Additionally, the present value of the sum of projected tax benefits was added to arrive at the total fair value of the customer relationship asset. To value the member database, a replacement cost approach was used, specifically a calculation of costs to acquire new members based on TechTarget's cost history over the past two years divided by new members acquired. The calculated cost per new member acquired was used to calculate the cost to acquire the members in the IT Quadrant, Inc. member database. Additionally, the present value of the sum of projected tax benefits was added to the calculated replacement cost to calculate the total fair value of the member database asset. To value the non-compete agreement a comparative business valuation method was used. Based on a non-compete term of 36 months, management projected net cash flows for the Company with and without the non-compete agreement in place. The present value of the sum of the difference between the net cash flows with and without the non-compete agreement in place was calculated, based on a discount rate of 23%. To value the trade name intangible asset a relief from royalty method was used to estimate the pre-tax royalty savings to the Company related to the IT Quadrant, Inc. trade names. The projected net cash flows from the pre-tax royalty savings were tax affected using an effective rate of 41% and then discounted using a discount rate of 23% to calculate the value of the trade name intangible asset.

6. Intangible Assets

Intangible assets subject to amortization as of June 30, 2010 and December 31, 2009 consist of the following:

As of June 30, 2010				
	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization (Unaudited)	Net
Customer, affiliate and advertiser relationships	1 - 9	\$12,249	\$(6,608)	\$5,641
Developed websites, technology and patents	3 - 6	5,400	(2,850)	2,550
Trademark, trade name and domain name	1 - 7	2,373	(1,388)	985
Proprietary user information database and Internet traffic	3 - 5	5,340	(2,809)	2,531
Non-compete agreements	1 - 3	1,513	(1,252)	261
Total intangible assets		\$26,875	\$(14,907)	\$11,968

As of December 31, 2009				
	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer, affiliate and advertiser relationships	1 - 9	\$11,508	\$(5,619)	\$5,889
Developed websites, technology and patents	3 - 6	5,400	(2,400)	3,000
Trademark, trade name and domain name	1 - 7	2,179	(1,261)	918
Proprietary user information database and Internet traffic	3 - 5	4,750	(2,257)	2,493
Non-compete agreements	1 - 3	1,323	(1,095)	228
Total intangible assets		\$25,160	\$(12,632)	\$12,528

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 2.9 years. Amortization expense was \$1.1 million and \$1.2 million for the three months ended June 30, 2010 and 2009, respectively, and \$2.3 million and \$2.4 million for the six months ended June 30, 2010 and 2009, respectively.

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

Years Ending December 31:	Amortization Expense
2010 (July 1st – December 31st)	\$2,214
2011	3,562
2012	2,798
2013	1,298

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2014	934
Thereafter	1,162
	\$11,968

7. Net Income (Loss) Per Common Share

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	(Unaudited)			
Numerator:				
Net income (loss)	\$446	\$(543)	\$(1,894)	\$(2,851)
Denominator:				
Basic:				
Weighted average shares of common stock outstanding	42,943,465	41,759,506	42,711,730	41,756,818
Diluted:				
Weighted average shares of common stock outstanding	42,943,465	41,759,506	42,711,730	41,756,818
Effect of potentially dilutive shares(1)				