

TechTarget Inc  
Form 10-Q/A  
July 16, 2009

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

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FORM 10-Q/A  
Amendment No. 1

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(Mark One)

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

For the quarterly period ended September 30, 2008

- 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

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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.)

117 Kendrick Street, Suite 800  
Needham, Massachusetts 02494  
(Address of principal executive offices) (zip code)

(781) 657-1000  
(Registrant's telephone number, including area code)

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(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 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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of June 30, 2009, there were outstanding 41,745,193 shares of the registrant's common stock, par value \$0.001.

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## TABLE OF CONTENTS

Item	Page
	<u>1</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>2</u>
	<u>3</u>
	<u>4</u>
	<u>5</u>
<u>Item 2.</u>	<u>25</u>
<u>Item 3.</u>	<u>38</u>
<u>Item 4.</u>	<u>38</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>41</u>
<u>Item 1A.</u>	<u>41</u>
<u>Item 2.</u>	<u>49</u>
<u>Item 3.</u>	<u>49</u>
<u>Item 4.</u>	<u>49</u>
<u>Item 5.</u>	<u>49</u>
<u>Item 6.</u>	<u>49</u>
	<u>50</u>

## EXPLANATORY NOTE

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities Exchange Act of 1934, this Amendment No. 1 on Form 10-Q/A to the Quarterly Report on Form 10-Q of TechTarget, Inc. (the "Company") for the quarter ended September 30, 2008 is being filed to amend and restate our financial statements as of and for the three and nine months ended September 30, 2008. The restatement is to correct errors in the amounts of our revenues, deferred revenues, and provision for income taxes. The restatement for the error resulted in an increase to revenues of \$1,781,000 for the three months ended September 30, 2008 and a decrease to revenues of \$195,000 for the three months ended September 30, 2007, and a decrease to revenues of \$591,000 and \$2,489,000 for the nine months ended September 30, 2008 and 2007, respectively. The provision for income taxes increased by \$760,000 for the three months ended September 30, 2008 and decreased by \$81,000 for the three months ended September 30, 2007, and decreased by \$609,000 and \$873,000 for the nine months ended September 30, 2008 and 2007, respectively. Net income increased by \$1,021,000 for the three months ended September 30, 2008 and decreased by \$114,000 for the three months ended September 30, 2007, and increased by \$18,000 for the nine months ended September 30, 2008 and decreased by \$1,616,000 for the nine months ended September 30, 2007. This Amendment No. 1 amends Part I, Items 1 and 2, and Part II, Item 6 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008. This Amendment No. 1 continues to reflect circumstances as of the date of the original filing of the Quarterly Report on Form 10-Q, and the Company has not updated the disclosures contained therein to reflect events that occurred at a later date, except for the items relating to the restatement, as further described in Note 2 to the consolidated financial statements.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2008	December 31, 2007 (As Restated) (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,212	\$ 10,693
Short-term investments	21,097	51,308
Accounts receivable, net of allowance for doubtful accounts of \$607 and \$424 as of September 30, 2008 (unaudited) and December 31, 2007 (unaudited), respectively	17,529	15,198
Prepaid expenses and other current assets	8,616	2,261
Deferred tax assets	3,217	5,250
Total current assets	88,671	84,710
Property and equipment, net	4,044	4,401
Long-term investments	7,770	-
Goodwill	88,326	88,326
Intangible assets, net of accumulated amortization	17,917	21,939
Deferred tax assets	3,617	2,910
Other assets	180	203
Total Assets	\$ 210,525	\$ 202,489
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of bank term loan payable	\$ 3,000	\$ 3,000
Accounts payable	2,794	2,919
Income taxes payable	-	1,330
Accrued expenses and other current liabilities	2,107	2,473
Accrued compensation expenses	926	2,600
Deferred revenue	11,906	9,378
Total current liabilities	20,733	21,700
Long-term liabilities:		
Other liabilities	324	455
Bank term loan payable, net of current portion	750	3,000
Total liabilities	21,807	25,155
Commitments (Note 10)	-	-
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized; no shares issued or outstanding	-	-

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Common stock, \$0.001 par value per share, 100,000,000 shares  
 authorized, 41,550,724 and 41,081,616 shares issued and outstanding at  
 September 30, 2008 (unaudited) and December 31, 2007 (unaudited),  
 respectively

	42	41
Additional paid-in capital	219,872	209,773
Warrants	2	13
Accumulated other comprehensive loss	(130)	(102)
Accumulated deficit	(31,068)	(32,391)
Total stockholders' equity	188,718	177,334
Total Liabilities and Stockholders' Equity	\$ 210,525	\$ 202,489

See accompanying notes.

TECHTARGET, INC.  
Consolidated Statements of Operations  
(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(As Restated) (Unaudited)			
<b>Revenues:</b>				
Online	\$ 20,420	\$ 14,539	\$ 57,701	\$ 42,407
Events	5,496	6,912	16,743	16,201
Print	1,080	1,655	3,430	5,153
Total revenues	26,996	23,106	77,874	63,761
<b>Cost of revenues:</b>				
Online (1)	5,462	3,769	16,113	11,194
Events (1)	2,328	2,283	7,078	6,065
Print (1)	580	862	1,758	2,990
Total cost of revenues	8,370	6,914	24,949	20,249
Gross profit	18,626	16,192	52,925	43,512
<b>Operating expenses:</b>				
Selling and marketing (1)	8,161	7,271	25,490	19,811
Product development (1)	2,788	1,677	8,440	5,021
General and administrative (1)	3,662	3,364	10,915	8,917
Depreciation	579	401	1,884	1,095
Amortization of intangible assets	1,259	1,171	4,071	2,971
Total operating expenses	16,449	13,884	50,800	37,815
Operating income	2,177	2,308	2,125	5,697
<b>Interest income (expense):</b>				
Interest income	336	1,043	1,236	2,058
Interest expense	(88)	(146)	(302)	(851)
Total interest income	248	897	934	1,207
Income before provision for income taxes	2,425	3,205	3,059	6,904
Provision for income taxes	1,718	1,487	1,736	3,123
Net income	\$ 707	\$ 1,718	\$ 1,323	\$ 3,781
<b>Net income (loss) per common share:</b>				
Basic	\$ 0.02	\$ 0.04	\$ 0.03	\$ (0.01)
Diluted	\$ 0.02	\$ 0.04	\$ 0.03	\$ (0.01)
<b>Weighted average common shares outstanding:</b>				
Basic	41,533,020	40,354,796	41,355,812	24,282,474

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Diluted	43,116,678	43,336,498	43,393,429	27,184,670
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(1) Amounts include stock-based compensation expense as follows:

Cost of online revenue	\$ 264	\$ 16	\$ 401	\$ 156
Cost of events revenue	53	20	100	43
Cost of print revenue	1	(1)	5	18
Selling and marketing	1,057	930	3,796	2,054
Product development	140	84	420	230
General and administrative	648	604	2,107	1,421

See accompanying notes.

- 3-

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

	Nine Months Ended September 30, 2008          2007 (As Restated) (Unaudited)	
<b>Operating Activities:</b>		
Net income	\$ 1,323	\$ 3,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,955	4,066
Provision for bad debt	378	117
Stock-based compensation expense	6,829	3,922
Non-cash interest expense	5	310
Deferred tax benefit	1,326	(1,197)
Excess tax benefit - stock options	(1,015)	(2,518)
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(2,709)	(441)
Prepaid expenses and other current assets	(5,293)	144
Other assets	18	745
Accounts payable	(125)	193
Income taxes payable	(1,330)	(1,854)
Accrued expenses and other current liabilities	(366)	(344)
Accrued compensation expenses	(1,674)	(543)
Deferred revenue	2,528	5,535
Other liabilities	(84)	(110)
Net cash provided by operating activities	5,766	11,806
<b>Investing activities:</b>		
Purchases of property and equipment, and other assets	(1,527)	(2,344)
Purchases of short-term investments	(50,407)	(284,247)
Purchases of long-term investments	(7,885)	-
Proceeds from sales and maturities of short-term investments	80,618	196,346
Proceeds from sales and maturities of long-term investments	41	-
Acquisition of assets	(50)	(1,013)
Acquisition of businesses, net of cash acquired	-	(15,015)
Net cash provided by (used in) investing activities	20,790	(106,273)
<b>Financing activities:</b>		
Proceeds from revolving credit facility	-	12,000
Payments made on revolving credit facility	-	(12,000)
Payments on bank term loan payable	(2,250)	(2,250)
Proceeds from initial public offering, net of stock issuance costs	-	83,161
Excess tax benefit - stock options	1,015	2,518
Proceeds from exercise of warrants and stock options	2,198	977
Net cash provided by financing activities	963	84,406
Net increase (decrease) in cash and cash equivalents	27,519	(10,061)

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Cash and cash equivalents at beginning of period	10,693	30,830
Cash and cash equivalents at end of period	\$ 38,212	\$ 20,769
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 258	\$ 489
Cash paid for taxes	\$ 4,484	\$ 4,437

See accompanying notes.

- 4 -

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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, or 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.

The Company's integrated content platform consists of a network of over 50 websites that are complemented with targeted in-person events and two specialized IT magazines. Throughout all 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 our 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 eleven distinct media groups: Application Development; Channel; CIO and IT Management; Data Center; Enterprise Applications; Laptops and Mobile Technology; Networking; Security; Storage; Vertical Software; and Windows and Distributed Computing.

## 2. Restatement of Previously Issued Financial Statements

In connection with the Company's financial statement close process for the year ended December 31, 2008, the Company concluded that its methodology for determining the timing of recognizing webcast revenues was improper. The Company had been recognizing the majority of the revenue in the month in which the webcast occurred. The Company concluded that the webcast revenues should have been recognized ratably over the period in which the webcasts were available on the websites of the Company and its partners. In connection with this finding, the Company performed a comprehensive review of its business processes pertaining to all of its service revenue offerings and the related application of accounting policies and procedures to those business processes. The Company identified additional errors in the recognition of revenue relating to its whitepaper, promotional emails and sponsorship offerings. In addition, the Company identified errors in its assessment of whether or not it had verifiable objective evidence of fair value for undelivered elements in its advertising campaigns. As a result, the Company determined that verifiable objective evidence of fair value did not exist for elements in its advertising campaigns with multiple elements. Instead of allocating revenue to separate units of accounting based upon verifiable objective evidence of fair value, all deliverables in multiple element arrangements should have been combined as a single unit of accounting and revenue should have been recognized for the entire arrangement over the service period. The Company had historically concluded that its revenue arrangements with multiple elements could be divided into separate units of accounting under the guidance prescribed in Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements With Multiple Deliverables.

The Company has restated its financial statements as of and for the three and nine months ended September 30, 2008 and 2007 in accordance with SFAS No. 154, Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3.

## Adjustments to Consolidated Balance Sheets

The following is a summary of the adjustments to the Company's previously issued unaudited consolidated balance sheets as of September 30, 2008 and December 31, 2007 (in thousands except share information).

	September 30, 2008		
	As Previously Reported	Adjustments (Unaudited)	As Restated
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 38,212	\$ -	\$ 38,212
Short-term investments	21,097	-	21,097
Accounts receivable, net of allowance for doubtful accounts	17,529	-	17,529
Prepaid expenses and other current assets	6,279	2,337	8,616
Deferred tax assets	2,642	575	3,217
<b>Total current assets</b>	<b>85,759</b>	<b>2,912</b>	<b>88,671</b>
Property and equipment, net	4,044	-	4,044
Long-term investments	7,770	-	7,770
Goodwill	88,326	-	88,326
Intangible assets, net of accumulated amortization	17,917	-	17,917
Deferred tax assets	3,617	-	3,617
Other assets	180	-	180
<b>Total Assets</b>	<b>\$ 207,613</b>	<b>\$ 2,912</b>	<b>\$ 210,525</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Current portion of bank term loan payable	\$ 3,000	\$ -	\$ 3,000
Accounts payable	2,794	-	2,794
Income taxes payable	-	-	-
Accrued expenses and other current liabilities	2,107	-	2,107
Accrued compensation expenses	926	-	926
Deferred revenue	5,698	6,208	11,906
<b>Total current liabilities</b>	<b>14,525</b>	<b>6,208</b>	<b>20,733</b>
<b>Long-term liabilities:</b>			
Other liabilities	324	-	324
Bank term loan payable, net of current portion	750	-	750
<b>Total liabilities</b>	<b>15,599</b>	<b>6,208</b>	<b>21,807</b>
Commitments	-	-	-
<b>Stockholders' equity:</b>			
Preferred stock	-	-	-
Common stock, \$0.001 par value per share	42	-	42
Additional paid-in capital	219,872	-	219,872
Warrants	2	-	2

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Accumulated other comprehensive loss	(130)	-	(130)
Accumulated deficit	(27,772)	(3,296)	(31,068)
Total stockholders' equity	192,014	(3,296)	188,718
Total Liabilities and Stockholders' Equity	\$ 207,613	\$ 2,912	\$ 210,525

- 6-

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	December 31, 2007		
	As Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,693	\$ -	\$ 10,693
Short-term investments	51,308	-	51,308
Accounts receivable, net of allowance for doubtful accounts	15,198	-	15,198
Prepaid expenses and other current assets	1,962	299	2,261
Deferred tax assets	2,947	2,303	5,250
Total current assets	82,108	2,602	84,710
Property and equipment, net	4,401	-	4,401
Goodwill	88,326	-	88,326
Intangible assets, net of accumulated amortization	21,939	-	21,939
Deferred tax assets	2,910	-	2,910
Other assets	203	-	203
Total Assets	\$ 199,887	\$ 2,602	\$ 202,489
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of bank term loan payable	\$ 3,000	\$ -	\$ 3,000
Accounts payable	2,919	-	2,919
Income taxes payable	1,031	299	1,330
Accrued expenses and other current liabilities	2,473	-	2,473
Accrued compensation expenses	2,600	-	2,600
Deferred revenue	3,761	5,617	9,378
Total current liabilities	15,784	5,916	21,700
Long-term liabilities:			
Other liabilities	455	-	455
Bank term loan payable, net of current portion	3,000	-	3,000
Total liabilities	19,239	5,916	25,155
Commitments	-	-	-
Stockholders' equity:			
Preferred stock	-	-	-
Common stock, \$0.001 par value per share	41	-	41
Additional paid-in capital	209,773	-	209,773
Warrants	13	-	13
Accumulated other comprehensive loss	(102)	-	(102)
Accumulated deficit	(29,077)	(3,314)	(32,391)
Total stockholders' equity	180,648	(3,314)	177,334
Total Liabilities and Stockholders' Equity	\$ 199,887	\$ 2,602	\$ 202,489



## Adjustments to Consolidated Statements of Operations

The following is a summary of the adjustments to the Company's previously issued unaudited consolidated statements of operations for the three and nine months ended September 30, 2008 and 2007 (in thousands except share and per share information).

	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	As Originally Reported	Adjustments	As Restated (Unaudited)	As Originally Reported	Adjustments	As Restated
<b>Revenues:</b>						
Online	\$ 18,631	\$ 1,789	\$ 20,420	\$ 58,338	\$ (637)	\$ 57,701
Events	5,496	-	5,496	16,743	-	16,743
Print	1,088	(8)	1,080	3,384	46	3,430
Total revenues	25,215	1,781	26,996	78,465	(591)	77,874
<b>Cost of revenues:</b>						
Online	5,462	-	5,462	16,113	-	16,113
Events	2,328	-	2,328	7,078	-	7,078
Print	580	-	580	1,758	-	1,758
Total cost of revenues	8,370	-	8,370	24,949	-	24,949
Gross profit	16,845	1,781	18,626	53,516	(591)	52,925
<b>Operating expenses:</b>						
Selling and marketing	8,161	-	8,161	25,490	-	25,490
Product development	2,788	-	2,788	8,440	-	8,440
General and administrative	3,662	-	3,662	10,915	-	10,915
Depreciation	579	-	579	1,884	-	1,884
Amortization of intangible assets	1,259	-	1,259	4,071	-	4,071
Total operating expenses	16,449	-	16,449	50,800	-	50,800
Operating income	396	1,781	2,177	2,716	(591)	2,125
<b>Interest income (expense):</b>						
Interest income	336	-	336	1,236	-	1,236
Interest expense	(88)	-	(88)	(302)	-	(302)
Total interest income	248	-	248	934	-	934
Income before provision for income taxes	644	1,781	2,425	3,650	(591)	3,059



Provision for income taxes		958		760		1,718		2,345		(609)		1,736
Net (loss) income	\$	(314)	\$	1,021	\$	707	\$	1,305	\$	18	\$	1,323
Net (loss) income per common share:												
Basic	\$	(0.01)	\$	0.03	\$	0.02	\$	0.03	\$	-	\$	0.03
Diluted	\$	(0.01)	\$	0.03	\$	0.02	\$	0.03	\$	-	\$	0.03
Weighted average common shares outstanding:												
Basic		41,533,020		-		41,533,020		41,355,812		-		41,355,812
Diluted (1)		41,533,020		1,583,658		43,116,678		43,393,429		-		43,393,429

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- (1) In calculating diluted earnings per share, shares related to redeemable convertible preferred stock and outstanding stock options and warrants had previously been excluded for the three months ended September 30, 2008 because they were anti-dilutive. As a result of the Company's restatement of net income for the three months ended September 30, 2008, certain of these shares have been included in the calculation of diluted earnings per share.

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	As Originally Reported	Adjustments	As Restated (Unaudited)	As Originally Reported	Adjustments	As Restated
<b>Revenues:</b>						
Online	\$ 14,687	\$ (148)	\$ 14,539	\$ 44,726	\$ (2,319)	\$ 42,407
Events	6,912	-	6,912	16,201	-	16,201
Print	1,702	(47)	1,655	5,323	(170)	5,153
Total revenues	23,301	(195)	23,106	66,250	(2,489)	63,761
<b>Cost of revenues:</b>						
Online	3,769	-	3,769	11,194	-	11,194
Events	2,283	-	2,283	6,065	-	6,065
Print	862	-	862	2,990	-	2,990
Total cost of revenues	6,914	-	6,914	20,249	-	20,249
Gross profit	16,387	(195)	16,192	46,001	(2,489)	43,512