

TechTarget Inc
Form 10-Q/A
March 27, 2008

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

FORM 10-Q/A
Amendment No. 1

(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, 2007

- 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.)

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)

(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

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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="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> |
| (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

As of September 30, 2007, there were outstanding 40,406,753 shares of the registrant's common stock, par value \$0.001.

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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, 2007 is being filed to amend and restate our financial statements as of and for the three and nine months ended September 30, 2007. The restatement is to correct errors in the amounts of our prepaid expenses, non-current deferred tax assets and related provision for income taxes. The restatement for the error resulted in a decrease to the provision for income taxes and a corresponding increase to net income of \$290,000 and \$824,000 for the three and nine months ended September 30, 2007, respectively. The restatement for the error also resulted in an increase to total assets of \$824,000 at 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, 2007. 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, 2007 (restated) (unaudited) | December 31, 2006 |
|--|--|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,769 | \$ 30,830 |
| Short-term investments | 87,901 | - |
| Accounts receivable, net of allowance for doubtful accounts of \$510 and \$580 as of September 30, 2007 and December 31, 2006, respectively. | 12,419 | 12,096 |
| Prepaid expenses and other current assets | 3,340 | 952 |
| Deferred tax assets | 735 | 1,784 |
| Total current assets | 125,164 | 45,662 |
| Property and equipment, net | 3,769 | 2,520 |
| Goodwill | 43,225 | 36,190 |
| Intangible assets, net of accumulated amortization | 12,087 | 6,066 |
| Other assets | 105 | 854 |
| Deferred tax assets | 2,777 | 1,355 |
| Total assets | \$ 187,127 | \$ 92,647 |
| Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit) | | |
| Current liabilities: | | |
| Current portion of bank term loan payable | \$ 3,000 | \$ 3,000 |
| Accounts payable | 3,121 | 2,928 |
| Income taxes payable | - | 1,854 |
| Accrued expenses and other current liabilities | 1,559 | 1,904 |
| Accrued compensation expenses | 1,779 | 2,322 |
| Deferred revenue | 5,590 | 2,544 |
| Total current liabilities | 15,049 | 14,552 |
| Long-term liabilities: | | |
| Other liabilities | 458 | 555 |
| Bank term loan payable, net of current portion | 3,750 | 6,000 |
| Total liabilities | 19,257 | 21,107 |
| Commitments (Note 8) | - | - |
| Redeemable convertible preferred stock: | | |
| Series A redeemable convertible preferred stock - \$0.001 par value; 36,009,488 shares authorized; 35,879,971 shares issued and outstanding, liquidation preference of \$30,656 at December 31, 2006 | - | 30,468 |

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| | | |
|--|------------|-----------|
| Series B redeemable convertible preferred stock - \$0.001 par value; 51,470,588 shares authorized; 51,470,588 shares issued and outstanding, liquidation preference of \$88,296 at December 31, 2006 | - | 88,260 |
| Series C redeemable convertible preferred stock - \$0.001 par value; 10,141,302 shares authorized; 10,141,302 shares issued and outstanding, liquidation preference of \$18,058 at December 31, 2006 | - | 18,038 |
| Total redeemable convertible preferred stock | - | 136,766 |
| Stockholders' equity (deficit): | | |
| 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; 40,406,753 and 7,969,830 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively | 41 | 32 |
| Additional paid-in capital | 199,689 | - |
| Warrants | 55 | 105 |
| Accumulated other comprehensive loss | (70) | (56) |
| Accumulated deficit | (31,845) | (65,307) |
| Total stockholders' equity (deficit) | 167,870 | (65,226) |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit) | \$ 187,127 | \$ 92,647 |

See accompanying notes.

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

| | Three Months Ended September 30, 2007 | | Nine Months Ended September 30, 2007 | |
|--|---|-----------------|--|---------------------|
| | (restated) | 2006 | (restated) | 2006 (unaudited) |
| Revenues: | | | | |
| Online | \$ 14,687 | \$ 12,565 | \$ 44,726 | \$ 35,752 |
| Events | 6,912 | 5,893 | 16,201 | 13,962 |
| Print | 1,702 | 1,809 | 5,323 | 6,181 |
| Total revenues | 23,301 | 20,267 | 66,250 | 55,895 |
| Cost of revenues: | | | | |
| Online (1) | 3,769 | 3,644 | 11,194 | 9,257 |
| Events (1) | 2,283 | 1,632 | 6,065 | 4,641 |
| Print (1) | 862 | 1,385 | 2,990 | 4,215 |
| Total cost of revenues | 6,914 | 6,661 | 20,249 | 18,113 |
| Gross profit | 16,387 | 13,606 | 46,001 | 37,782 |
| Operating expenses: | | | | |
| Selling and marketing (1) | 7,271 | 4,932 | 19,811 | 14,555 |
| Product development (1) | 1,677 | 1,617 | 5,021 | 4,740 |
| General and administrative (1) | 3,364 | 2,126 | 8,917 | 6,001 |
| Depreciation | 401 | 241 | 1,095 | 697 |
| Amortization of intangible assets | 1,171 | 1,378 | 2,971 | 3,886 |
| Total operating expenses | 13,884 | 10,294 | 37,815 | 29,879 |
| Operating income | 2,503 | 3,312 | 8,186 | 7,903 |
| Interest income (expense): | | | | |
| Interest income | 1,043 | 369 | 2,058 | 1,224 |
| Interest expense | (146) | (385) | (851) | (1,103) |
| Total interest income (expense) | 897 | (16) | 1,207 | 121 |
| Income before provision for income taxes | 3,400 | 3,296 | 9,393 | 8,024 |
| Provision for income taxes | 1,568 | 1,709 | 3,996 | 3,623 |
| Net income | \$ 1,832 | \$ 1,587 | \$ 5,397 | \$ 4,401 |
| Net income (loss) per common share: | | | | |
| Basic | \$ 0.05 | \$ (0.16) | \$ 0.06 | \$ (0.47) |
| Diluted | \$ 0.04 | \$ (0.16) | \$ 0.05 | \$ (0.47) |
| Weighted average common shares outstanding: | | | | |
| Basic | 40,354,796 | 7,909,485 | 24,282,474 | 7,788,440 |

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| | | | | |
|---------|------------|-----------|------------|-----------|
| Diluted | 43,336,498 | 7,909,485 | 27,184,670 | 7,788,440 |
|---------|------------|-----------|------------|-----------|

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

| | | | | |
|----------------------------|-------|------|--------|-------|
| Cost of online revenue | \$ 16 | \$ 9 | \$ 156 | \$ 14 |
| Cost of events revenue | 20 | 3 | 43 | 5 |
| Cost of print revenue | (1) | 1 | 18 | 2 |
| Selling and marketing | 930 | 49 | 2,054 | 69 |
| Product development | 84 | 10 | 230 | 16 |
| General and administrative | 604 | 19 | 1,421 | 50 |

See accompanying notes.

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

| | Nine Months Ended September 30, 2007 | |
|---|--|---------------------|
| | (restated) | 2006 (unaudited) |
| Operating Activities | | |
| Net income | \$ 5,397 | \$ 4,401 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,066 | 4,583 |
| Provision for bad debt | 117 | 215 |
| Stock-based compensation | 3,922 | 156 |
| Non-cash interest expense | 310 | 91 |
| Deferred tax provision | (373) | - |
| Excess tax benefit - stock options | (2,518) | - |
| Changes in operating assets and liabilities, net of businesses acquired: | | |
| Accounts receivable | (441) | (3,283) |
| Prepaid expenses and other current assets | 193 | (604) |
| Other assets | 745 | (18) |
| Accounts payable | 193 | (541) |
| Income taxes payable | (1,854) | - |
| Accrued expenses and other current liabilities | (344) | 22 |
| Accrued compensation expenses | (543) | (233) |
| Deferred revenue | 3,046 | 3,049 |
| Other liabilities | (110) | (41) |
| Net cash provided by operating activities | 11,806 | 7,797 |
| Investing activities | | |
| Purchases of property and equipment, and other assets | (2,344) | (969) |
| Purchases of short-term investments | (284,247) | - |
| Sales of short-term investments | 196,346 | - |
| Acquisition of assets | (1,013) | - |
| Acquisition of businesses, net of cash acquired | (15,015) | (15,017) |
| Net cash used in investing activities | (106,273) | (15,986) |
| Financing activities | | |
| Proceeds from revolving credit facility | 12,000 | - |
| Payments made on revolving credit facility | (12,000) | - |