



COMPANY UPDATE | COMMENT

NOVEMBER 11, 2011

Active Network, Inc. (NYSE: ACTV)**Active Beats Top And Bottom Line Again In 3Q, Raising Estimates****Outperform
Above Average Risk**

Price:	12.87	Price Target:	22.00
Shares O/S (MM):	62.8	Implied All-In Return:	71%
Dividend:	0.00	Market Cap (MM):	808
		Yield:	0.0%

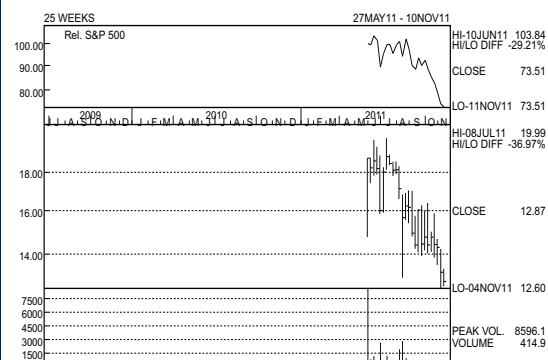
Reported 3Q11 Earnings

Net: Active reported a beat and raise quarter once again in 3Q11. The company continues to outperform expectations and execute on its plan for mid-teens registration volume growth and healthy Y/Y margin expansion. In terms of vertical categories, Active is seeing solid growth across both offline registration growth (outdoor) and core endurance, camping and faith-based online registration and technology growth. The company announced the acquisition of Resort Technology Partners, a leading software provider to the winter resort space, which exposes ACTV to cross selling opportunities in its participant pool (especially tennis/skiing) and is accretive following the deferred revenue hit in 2012. We have increased 2012 revenue and EBITDA by 5% and 2%, which incorporates 2% upside from core operations and \$10m in RTP revenue. ACTV's multiple has compressed ~15% in the past quarter, despite the solid outperformance in both 2Q and 3Q, which we view as a buying opportunity. Our longer term thesis is fully intact and is based on ACTV's strong recurring revenue model, margin expansion mix-shift to more profitable online registrations and limited competition. Our rating remains Outperform, and our price target remains \$22.

Positives: ACTV reported revenue and EBITDA of \$89.6m and \$12.7m, which were 4% and 10% above our estimates and above the high end of the guided range. Software and marketing services revenue were the standout performers in the quarter, beating our estimates by 11% and 20%, respectively. The mid-points of the company's 4Q11 revenue and EBITDA guidance were 6% and 28% ahead of our prior estimates.

Negatives: There were few material negatives to point to for ACTV in 3Q. Technology gross margin compressed 320bps y/y in 3Q11 vs. a slight improvement in the second quarter. This deleverage was driven by non-cash items as well as some one-time implementation costs, and led to overall gross margin compression of 190bps, only 30bps of which was core. 4Q guidance assumes a steep deceleration in marketing services revenue, as ACTV had some ad campaigns pull forward into 2Q and 3Q, more than offset by stronger technology revenue growth.

Estimate Changes and Valuation: We have increased our 2012 revenue and EBITDA estimates by 5% and 2%, respectively. Our rating remains Outperform and our price target remains \$22.

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FY Dec	2010A	2011E	2012E	
Revenue (MM)	279.6	336.0	392.7	
Prev.		327.4	375.5	
Adj EBITDA (MM)	25.1	38.1	53.6	
Prev.		36.1	52.6	
Adj EPS - FD		(0.04)	0.21	
Prev.		0.01	0.30	
P/AEPS	NM	NM	61.3x	
Revenue (MM)	Q1	Q2	Q3	Q4
2010	63.2A	81.7A	73.1A	61.6A
2011	72.7A	99.0A	89.6A	74.7E
Prev.			86.4E	69.3E
2012	82.5E	116.0E	104.9E	89.3E
Prev.	82.3E	113.7E	99.8E	79.6E
Adj EBITDA (MM)				
2010	1.1A	11.8A	9.3A	2.9A
2011	2.6A	20.4A	12.7A	2.4E
Prev.			11.5E	1.6E
2012	5.0E	26.4E	18.0E	4.2E
Prev.	4.5E	29.5E	16.8E	1.9E
Adj EPS - FD				
2011	(0.12)A	0.18A	0.05A	(0.15)E
Prev.			0.06E	(0.12)E
2012	(0.07)E	0.26E	0.13E	(0.11)E
Prev.	(0.06)E	0.34E		

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 6.

Exhibit 1: 3Q11 Results vs. RBC Capital Markets Estimates

(\$ in Millions, except per share amounts)

	3Q11A	3Q11E	Variance	2Q11A	% Q/Q	3Q10A	% Y/Y	Cons.	Guidance
Registrations (mm):									
Total Registrations	23.5	22.1	6.5%	24.6	-4%	20.5	14.8%		21.5-21.9
Avg. Revenue per Registration	\$2.59	\$2.78	-6.8%	\$2.84	-9%	\$2.54	1.8%		\$2.70-\$2.75
Revenues									
Registration revenue	60.9	61.4	-0.8%	69.7	-12.7%	52.1	16.9%		
Software revenue	15.4	13.9	10.8%	15.8	-2.3%	10.3	49.6%		
Technology revenue	76.3	75.3	1.4%	85.6	-10.8%	62.4	22.3%		
Marketing revenue	13.3	11.1	19.5%	13.5	-1.2%	10.7	24.3%		
Net revenue	89.6	86.4	3.7%	99.0	-9.5%	73.1	22.6%	85.8	84-88
Cost of Revenues	39.8	36.6	9.0%	40.1	-0.8%	31.1	28.1%		
Gross Profit	49.8	49.9	-0.2%	58.9	-15.4%	42.0	18.6%		
Operating Expenses:									
Sales and marketing expenses	16.8	18.0	-6.3%	18.3	-8.2%	14.9	13.0%		
Research and development expenses	17.3	16.7	3.4%	16.2	7.0%	15.0	15.1%		
General and administrative expenses	10.4	11.0	-5.6%	11.1	-5.9%	8.9	16.7%		
Amortization of intangibles	3.7	3.8	-2.7%	3.7	-1.3%	4.0	-8.9%		
Stock-based compensation	2.0	1.6	23.5%	2.1	-4.7%	1.3	46.0%		
Total Operating Expenses	50.2	51.1	-1.8%	51.4	-2.2%	44.2	13.5%		
Operating Income	(0.4)	(1.2)	-66.7%	7.5	-105.5%	(2.2)	-81.7%		
Depreciation & Amortization	11.1	11.2	-0.2%	10.8	2.9%	10.2	9.0%		
Stock Based Compensation	2.0	1.6	23.5%	2.1	-4.7%	1.3	46.0%		
Adjusted EBITDA	12.7	11.5	10.2%	20.4	-37.7%	9.3	36.2%	11.3	10-12
Margin	14.2%	13.3%		20.6%		12.8%			
Interest income	0.0	0.1	-71.4%	0.0	10.3%	0.0	-25.6%		
Interest expense	(0.1)	(0.2)	-45.5%	(1.4)	92.2%	(1.3)	-91.8%		
Other (expense) income, net	(0.0)	0.0	0.0%	0.2	117.1%	0.8	-104.3%		
Pretax Income	(0.5)	(1.3)	-60.6%	6.3	108.3%	(2.8)	-81.2%		
Income Tax Expense (benefit)	0.9	0.8	13.8%	0.8	15.5%	1.1	-14.5%		
Reported Net Income	(1.4)	(2.1)	-32.6%	5.5	125.9%	(3.8)	-62.6%		
Adjusted EPS	\$0.05	\$0.06	-17.8%	\$0.18	256.1%	\$0.00		\$0.04	

Source: Company reports, First Call, RBC Capital Markets

Exhibit 2: Summary of Estimate Changes

(\$ in millions, except per share amounts)

	4Q11E			2011E			2012E		
	Current	Prior	Delta	Current	Prior	Delta	Current	Prior	Delta
Technology revenue	63.5	57.3	10.9%	288.5	281.2	2.6%	338.7	321.4	5.4%
Marketing revenue	11.2	12.0	-6.7%	47.5	46.2	2.9%	54.0	54.0	0.0%
Net revenue	74.7	69.3	7.8%	336.0	327.4	2.6%	392.7	375.5	4.6%
Total Operating Expenses	52.7	49.8	-5.8%	201.7	199.7	-1.0%	220.8	213.0	-3.7%
Operating Income (Loss)	(12.4)	(11.6)	7.1%	(14.2)	(14.2)	0.0%	4.6	6.3	-27.5%
Adjusted EBITDA	2.4	1.6	53.8%	38.1	36.1	5.6%	53.6	52.6	1.8%
Margin	3.2%	2.2%		11.3%	11.0%		13.6%	14.0%	
Reported Net Income	(13.6)	(12.3)	10.4%	(20.4)	(19.9)	2.9%	67.2	69.5	-3.3%
Adj EPS	(\$0.15)	(\$0.12)	30.5%	(\$0.04)	\$0.01	-432.6%	\$0.21	\$0.30	-29.8%

Source: Company reports, RBC Capital Markets

Valuation

We use a blended approach on our 2012 estimates. Using an average of 15x EV/EBITDA, 3% FCF yield, and 3.5x EV/Revenue, we arrive at our \$22 target.

Exhibit 3: Valuation Worksheet

(\$ in millions, except per share amounts)

Current Price	\$12.87
Diluted Shares Outstanding	62.8
Current Market Cap	809
Less: Cash and Cash Equivalents	139.0
Less : Other Assets	0.0
Plus: Debt	0.0
Adjusted Enterprise Value	669.5

EV to EBITDA

2012E

Adjusted EBITDA	53.6
Current EV/EBITDA Multiple	12.5x
Target Multiple	15.0x
Enterprise Value	803.7
Plus: YE Cash	192.4
Plus: Other Assets	0.0
Less: YE Debt	0.0
Less: Minority Interest	0.0
Equity Market Capitalization	996.1
FY End Projected Sharecount	53.9
Implied Stock Price on Forward EBITDA	\$18

FCF Yield

2012E

FCF per Share	\$0.54
Current FCF Yield	4.2%
Target Yield	3.0%
Implied Stock Price on Forward FCF	\$18

EV to Revenue

2012E

Revenue	392.7
Current EV / Revenue Multiple	1.7x
Target Multiple	3.5x
Enterprise Value	1374.4
Plus: YE Cash	192.4
Plus: Other Assets	0.0
Less: YE Debt	0.0
Less: Minority Interest	0.0
Equity Market Capitalization	1566.7
FY End Projected Sharecount	53.9
Implied Stock Price on Forward EBITDA	\$29

Average **\$22**

Source: RBC Capital Markets

Valuation

We value ACTV using a blended approach on our 2012 estimates using 15x EV/EBITDA, a 3% FCF yield and 3.5x revenue. We take an average of these three metrics to arrive at our \$22 price target. These multiples are in range of the rest of our coverage universe, and we believe they are justified given the high revenue visibility and rapid EBITDA growth.

Price Target Impediment

- 1) Margin expansion does not play out as expected.
- 2) Large contracts material to financial statements are lost during periodic re-bidding process.
- 3) Complications from M&A integration.

Company Description

Active Network provides event registration software and services to community, sport, business and outdoor organizations. In addition to registration processing, Active Network's technology platform provides organizations with various marketing, operating and analytics tools which help their clients' event management end-to-end by increasing event participation and reducing overall event costs.

Active Network – Quarterly Earnings Analysis
(\$ in millions, except per share amounts)

	2010A					2011E					2012E				
FY Dec	Mar A	Jun A	Sep A	Dec A	2010A	Mar A	Jun A	Sep A	Dec E	2011E	Mar E	Jun E	Sep E	Dec E	2012E
	1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE	
Technology revenue	54.9	71.2	62.4	49.2	237.7	63.1	85.6	76.3	63.5	288.5	70.8	102.1	90.9	74.8	338.7
Marketing revenue	8.3	10.5	10.7	12.4	41.9	9.6	13.5	13.3	11.2	47.5	11.7	13.9	14.0	14.4	54.0
Net revenue	63.2	81.7	73.1	61.6	279.6	72.7	99.0	89.6	74.7	336.0	82.5	116.0	104.9	89.3	392.7
Cost of Revenues															
Technology	27.0	32.3	29.3	26.4	115.0	33.0	38.7	38.2	33.2	143.1	35.6	44.2	43.8	37.6	161.2
Marketing	1.0	1.7	1.8	1.6	6.2	1.2	1.5	1.6	1.3	5.5	1.4	1.5	1.6	1.6	6.1
Total Cost of Revenues	28.0	34.0	31.1	28.1	121.2	34.1	40.1	39.8	34.4	148.5	37.0	45.7	45.4	39.2	167.3
Gross Profit	35.2	47.6	42.0	33.5	158.4	38.6	58.9	49.8	40.3	187.5	45.6	70.3	59.4	50.1	225.4
Operating Expenses:															
Sales & Marketing	14.5	15.0	14.9	14.1	58.5	16.8	18.3	16.8	16.9	68.8	18.4	20.9	19.2	19.6	78.1
Research & Development	14.9	16.2	15.0	14.8	60.9	16.1	16.2	17.3	17.9	67.4	17.4	20.7	19.2	20.5	77.8
General & Administrative	9.8	10.4	8.9	8.8	38.0	10.2	11.1	10.4	10.7	42.4	11.5	12.8	12.1	12.6	48.9
Amortization of Intangibles	4.0	4.1	4.0	4.0	16.1	3.7	3.7	3.7	3.9	15.0	1.9	1.2	1.4	2.3	6.8
Stock Based Compensation	1.8	1.4	1.3	0.8	5.3	0.7	2.1	2.0	3.2	8.0	0.8	2.4	2.3	3.8	9.2
Total Operating Expenses	45.1	47.1	44.2	42.5	178.9	47.4	51.4	50.2	52.7	201.7	50.0	58.0	54.1	58.7	220.8
Operating Income	(9.9)	0.6	(2.2)	(8.9)	(20.5)	(8.8)	7.5	(0.4)	(12.4)	(14.2)	(4.5)	12.3	5.3	(8.6)	4.6
Depreciation & Amortization	9.2	9.9	10.2	11.0	40.3	10.7	10.8	11.1	11.6	44.3	8.7	11.7	10.4	9.0	39.8
Stock Based Compensation	1.8	1.4	1.3	0.8	5.3	0.7	2.1	2.0	3.2	8.0	0.8	2.4	2.3	3.8	9.2
Adjusted EBITDA	1.1	11.8	9.3	2.9	25.1	2.6	20.4	12.7	2.4	38.1	5.0	26.4	18.0	4.2	53.6
Interest income	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1
Interest expense	(1.3)	(1.5)	(1.3)	(1.3)	(5.4)	(1.3)	(1.4)	(0.1)	(0.4)	(3.2)	0.0	0.0	0.0	0.0	0.0
Other (expense) income, net	(0.4)	(0.2)	0.8	0.3	0.5	(0.1)	0.2	(0.0)	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Pretax Income	(11.6)	(1.1)	(2.8)	(9.9)	(25.3)	(10.2)	6.3	(0.5)	(12.8)	(17.2)	(4.4)	12.3	5.3	(8.5)	4.7
Income Tax Expense (benefit)	0.9	0.9	1.1	(0.8)	1.9	0.8	0.8	0.9	0.8	3.3	1.7	1.7	(67.6)	1.7	(62.5)
Reported Net Income	(12.4)	(1.9)	(3.8)	(9.1)	(27.3)	(10.9)	5.5	(1.4)	(13.6)	(20.4)	(6.1)	10.6	72.9	(10.2)	67.2
Diluted Earnings per Share															
Pro forma Earnings per Share						(\$0.15)	\$0.21	\$0.06	(\$0.15)	(\$0.04)	(\$0.07)	\$0.26	\$0.13	(\$0.11)	\$0.21
Adjusted Earnings per Share						(\$0.12)	\$0.18	\$0.05	(\$0.15)	(\$0.04)	(\$0.07)	\$0.26	\$0.13	(\$0.11)	\$0.21
Pro forma Shares Outstanding						57.4	57.4	62.8	53.5	57.8	53.6	53.7	53.8	53.9	53.8
Margin Analysis															
Gross Profit Margin	55.7%	58.3%	57.5%	54.4%	56.6%	53.1%	59.4%	55.6%	53.9%	55.8%	55.2%	60.6%	56.7%	56.1%	57.4%
Sales & Marketing as % of Net Revenue	23.0%	18.3%	20.4%	22.9%	20.9%	23.0%	18.5%	18.8%	22.6%	20.5%	22.3%	18.0%	18.3%	21.9%	19.9%
Research & Development as % of Net Revenue	23.6%	19.8%	20.6%	23.9%	21.8%	22.1%	16.3%	19.3%	23.9%	20.1%	21.1%	17.8%	18.3%	22.9%	19.8%
General & Administrative as % of Net Revenue	15.5%	12.8%	12.2%	14.3%	13.6%	14.0%	11.2%	11.6%	14.4%	12.6%	13.9%	11.1%	11.5%	14.1%	12.5%
Amortization as % of Net Revenue	6.4%	5.0%	5.5%	6.5%	5.8%	5.1%	3.8%	4.1%	5.3%	4.5%	2.3%	1.0%	1.3%	2.5%	1.7%
Total Operating Expenses as % of Net Revenue	71.3%	57.6%	60.5%	69.0%	64.0%	65.2%	51.9%	56.0%	70.6%	60.0%	60.6%	50.0%	51.6%	65.8%	56.2%
Operating Margin	-15.6%	0.7%	-3.1%	-14.5%	-7.3%	-12.2%	7.6%	-0.5%	-16.6%	-4.2%	-5.4%	10.6%	5.0%	-9.6%	1.2%
Adjusted EBITDA Margin	1.7%	14.5%	12.8%	4.6%	9.0%	3.5%	20.6%	14.2%	3.2%	11.3%	6.1%	22.8%	17.1%	4.7%	13.6%
Incremental EBITDA Margin	37.4%	7.4%	8.0%	47.4%	25.5%	15.7%	49.4%	20.4%	-3.6%	23.0%	24.9%	35.5%	34.5%	12.1%	27.4%
Effective Tax Rate	-7.4%	-78.5%	-38.4%	8.5%	-7.6%	-7.8%	12.5%	-174.3%	-6.3%	-19.2%	-38.3%	13.8%	-1269.3%	-19.9%	-1333.1%
Reported Net Income	-19.6%	-2.4%	-5.2%	-14.8%	-9.8%	-15.0%	5.6%	-1.6%	-18.2%	-6.1%	-7.4%	9.2%	69.5%	-11.5%	17.1%
Year Over Year Growth															
Technology	23.6%	10.9%	7.3%	12.6%	12.9%	14.9%	20.2%	22.3%	29.1%	21.4%	12.2%	19.4%	19.1%	17.9%	17.4%
Marketing	29.5%	36.3%	40.2%	16.5%	29.4%	15.9%	28.2%	24.3%	-10.0%	13.4%	22.3%	3.1%	5.0%	29.0%	13.6%
Net Revenue	24.3%	13.6%	11.1%	13.3%	15.1%	15.0%	21.2%	22.6%	21.2%	20.2%	13.5%	17.2%	17.0%	19.5%	16.9%
Cost of Revenues	15.8%	12.7%	11.7%	13.2%	13.2%	11.8%	18.0%	28.1%	22.6%	22.5%	8.3%	13.8%	14.1%	13.8%	12.6%
Gross Profit	32.1%	14.2%	10.7%	13.5%	16.6%	9.6%	23.6%	18.6%	20.0%	18.4%	18.1%	19.4%	19.3%	24.4%	20.2%
Operating Income	-23.2%	-153.0%	-56.8%	-28.0%	-35.0%	-10.5%	1227.6%	-81.7%	39.0%	-30.8%	-49.6%	64.2%	-1385.1%	-30.8%	-132.1%
Adjusted EBITDA	-130.6%	6.5%	6.7%	-600.7%	59.5%	137.1%	72.3%	36.2%	-16.4%	51.6%	95.1%	29.6%	41.4%	73.8%	40.7%
Reported Net Income	-12.5%	-28.3%	-44.4%	-35.4%	-28.0%	-11.8%	-385.0%	-62.6%	49.5%	-25.0%	-43.9%	92.5%	-5192.6%	-24.6%	-428.7%
Pro Forma Diluted Earnings per Share	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-52.7%	22.0%	119.6%	-28.4%	-689.0%
Adjusted Earnings per Share	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-43.2%	46.5%	156.9%	-28.4%	-689.0%
Other Metrics															
Peer Defined Free Cash Flow	29.7	(3.3)	(4.9)	(9.9)	11.7	31.6	20.0	(12.6)	(11.8)	27.1	(6.9)	23.8	14.8	(16.3)	15.4
Free Cash Flow per Share	\$0.69	(\$0.07)	(\$0.11)	(\$0.21)	\$0.30	\$0.55	\$0.35	(\$0.20)	(\$0.22)	\$0.48	(\$0.13)	\$0.44	\$0.27	(\$0.30)	\$0.29
Company Defined Free Cash Flow	33.8	0.0	(2.5)	(9.5)	21.8	34.8	22.9	(11.3)	(29.1)	17.4	(4.9)	27.3	18.2	(11.4)	29.2
Free Cash Flow per Share	\$0.79	\$0.00	(\$0.05)	(\$0.21)	\$0.53	\$0.61	\$0.40	(\$0.18)	(\$0.54)	\$0.28	(\$0.09)	\$0.51	\$0.34	(\$0.21)	\$0.54

Source: Company reports and RBC Capital Markets

Required Disclosures

Conflicts Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Active Network, Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Active Network, Inc. in the past 12 months.

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Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

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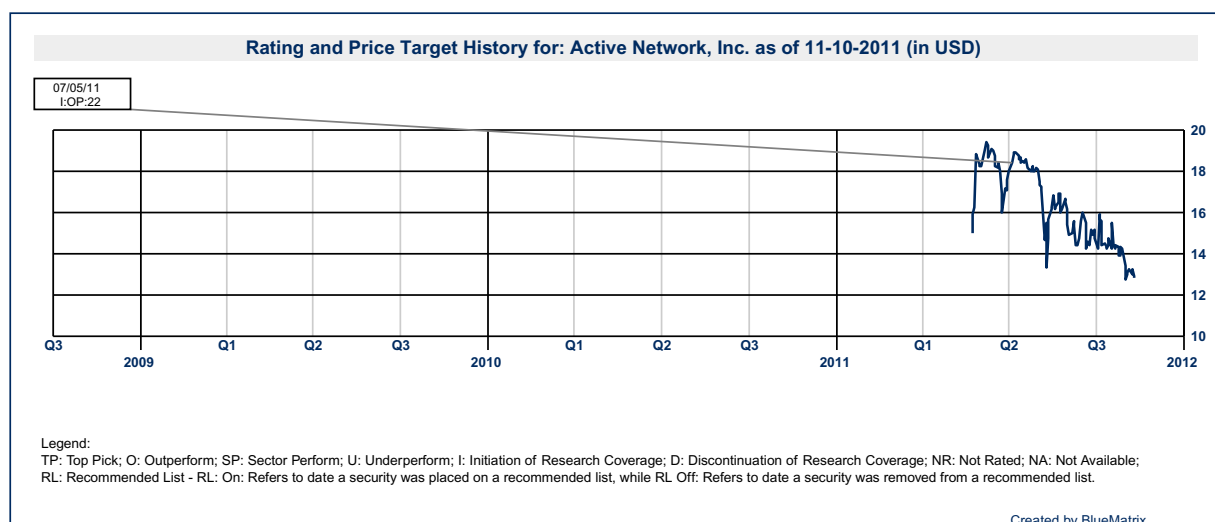
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