



The Active Network, Inc.
Buy

ACTV: \$15.86
Price Target: \$19.00

Application Software

**ACTV: Key Takeaways From Investors HQ Meeting;
Reiterate Buy Rating**

THINK ACTION:

We remain positive on The Active Network following a recent investors meeting at their headquarters. Our comfort level with the current business momentum is increasing, and we believe management's approach in the meetings management market is visionary that could generate faster organic growth and higher profit margins. We also came away positive on the potential 2012 growth opportunities given a strong pipeline, new product cycles, improving win rates, greater distribution capacity y/y, and solid end-market demand as companies of all sizes increasingly realize they need a SaaS-based event registration lifecycle management platform to improve ROI.

KEY POINTS:

- **Upward bias to growth trajectory.** We maintain an upward bias to our ACTV revenue growth forecast and are increasingly comfortable with the current business momentum. Additionally, our job postings analysis indicates the number of open sales positions has increased to 94, up from 64 at the start of Q1(+47% intraquarter), which likely reflects pipeline expansion activity and is a positive trend. **Data is on page 3.**
- **Multiple expansion potential.** Since the Street is not currently valuing the business on Price/Sales, despite a highly recurring revenue stream and SaaS industry-leading retention rates, we believe consistent execution and further ActiveWorks adoption could expand the company's trading multiple. In contrast to older products, ActiveWorks is not a point-product but a platform that could be used by other divisions within a business. Thus, the organic growth potential with existing customers is more attractive with ActiveWorks than the legacy solutions, in our opinion.
- **Believe Starcite acquisition is visionary, expect the market to follow in 12-24 months.** The Active Network is the only vendor we are aware of that offers an integrated attendee management and spend management solution in the market today. We think it is a logical direction for the Meetings Management market to combine attendee management capabilities with spend management capabilities in an integrated platform. By combining these technologies, business will have greater visibility in forecasting event ROI.
- **Latest platform architecture could lead to larger deals & faster innovation.** ActiveWorks' service-oriented architecture, along with acquired IP, allows for easy customizations and includes embedded capabilities that make larger events a more attractive ROI for the business, in our opinion. Additionally, we expect The Active Network to leverage existing IP, along with new innovations and acquired technologies like Starcite, to succeed in altering its own architecture to accelerate new product introductions like Schwaggle, over the next couple of years.
- **Increased confidence in a potential multibillion dollar trajectory.** We came away from the investor meetings with the impression that management is focused on becoming a multi-billion dollar business. And we believe the business strategy and product strategy are well-aligned as The Active Network has mastered the art of event registration lifecycle management. Given the fact that The Active Network is the 800-lb gorilla in the space, in our view, we foresee strong pricing power and attractive cross selling opportunities in the future. We also believe having a technological advantage, along with a dominant brand, sets the stage for an enduring business model that will grow rapidly with high profit margins.

Please see analyst certification (Reg. AC) and other important disclosures on pages 6-7 of this report.

Brian Schwartz

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Changes	Current	Previous
Rating	Buy	--
Price Target	\$19.00	--
FY11A REV (M)	\$337.3A	--
FY12E REV (M)	\$430.0E	--
FY11A EPS	\$0.07A	--
FY12E EPS	(\$0.05)E	\$0.05E

52-Week High:	\$19.99
52-Week Low:	\$12.30
Shares O/S-Diluted (M):	63.0
Market Cap (M):	\$999.2
Average Daily Volume:	279,086
Short Interest:	2.5%
Debt/Total Cap:	0.3%
Net Cash Per Share:	\$1.98
P/E (12-month forward):	NA
Est. Long-Term EPS Growth:	35.0%
P/E/G:	NM
Fiscal Year-End:	Dec

REV (M) \$	2010A	2011A	2012E
Mar	63.2A	72.7A	91.1E
Jun	81.7A	99.0A	123.9E
Sep	73.1A	89.6A	115.1E
Dec	61.6A	76.0A	99.9E
FY	279.6A	337.3A	430.0E

FY P/S	3.6x	3.0x	2.3x
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EPS \$	2010A	2011A	2012E
Mar	(0.19)A	(0.12)A	(0.41)E
Jun	0.05A	0.18A	0.13E
Sep	0.01A	0.05A	0.15E
Dec	(0.12)A	(0.03)A	0.08E
FY	(0.25)A	0.07A	(0.05)E

FY P/E	NM	226.6x	NM
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EPS is Non-GAAP



- **Bears' theses partially misguided, in our view.** We've heard two bear theses recently and believe one thesis is overblown. First, some bears believe ACTV's IP is easy to replicate, indefensible and simply a payment processing engine. Our customer due diligence sessions have revealed quite the opposite. Customers indicate high satisfaction levels, in general, and especially with the workflow automation, ease of customization, and the back-end capabilities in addition to the payment processing engine. So while consumers/investors tend to only see the front-end of the solution (payment processing engine), the customers we spoke with tend to rave about the solution capabilities to manage their overall business not just the payments engine. We also think the level of annual R&D spend should allow ACTV to maintain a compelling technological advantage over the competition, in our view. Second and the other bear thesis is around technology-acquisition integration risk, which we view as a legitimate risk. As further discussed below, we expect The Active Network to be an aggressive consolidator of the space. And while acquisition waves create advantages in terms of pricing power and cross-sell opportunities, it also poses operational risks and could make it difficult for investors to discern The Active Network's underlying organic growth rate. We think as more customers migrate to the ActiveWorks platform (and the legacy product R&D spend diminishes) investors will see the margins accrete more meaningfully, which likely will dispel the bears thesis, though this could take a couple quarters or more to play out.
- **Believe aggressive M&A strategy makes sense for an 800 lb gorilla.** We view The Active Network as the undisputed leader in the registrations lifecycle management industry with 5x the scale of the nearest competitor and an annual R&D spend (~\$80M in 2012) that is likely greater than most competitors' annual revenue. Our research indicates that The Active Network is automatically called in to the vast majority of deals and enjoys an unusual level of pricing power for its products. We therefore believe it is unlikely a small competitor or a new entrant can overcome ACTV's dominant market share, pricing power and large technological advantage. However, the registrations lifecycle management market is very large, highly fragmented and despite ACTV's size, the business is less than 10% penetrated in the market today and is less than 5% penetrated within the Enterprise customer base, in our view. Therefore, given the scale of the Active Network's infrastructure and existing service-oriented architecture, it makes sense for The Active Network to be "the big consolidator" in the space and enlarge its market share through an acquisition strategy, in our opinion. The Active Network typically acquires companies to enter new markets or add new products and/or capabilities to the suite.
- **Believe Starcite acquisition is visionary, expect the market to follow in 12-24 months.** The Active Network is the only vendor we are aware of that offers an integrated attendee management and spend management solution in the market today. We think The Active Network is showing significant market vision with the Starcite acquisition and likely has a 12-24 month first-mover advantage before the competition follows. ACTV's strategy for the Meetings Management market could turn out analogous with Concur's vision to integrate expense management with travel management in 2006, in our view. We remember the nay sayers at first did not believe travel and expense management capabilities needed to be integrated and should be stand-alone, but this viewpoint was dispelled by customer purchasing habits, which forced the competition to follow Concur's market strategy. We think it is a logical direction for the Meetings Management market to combine attendee management solutions with spend management solutions in an integrated platform. By combining these technologies, businesses will have greater visibility in forecasting ROI for their events. We also note that the larger ERPs like Oracle already use The Active Network for their OpenWorld conferences in the US and China, which we think indicates the high-value of the technology.
- **Latest platform architecture could lead to larger deals & faster innovation.** Most of the largest SaaS companies we follow CRM, CNQR, ULTI, RNOW have previously upgraded their platforms to the latest technologies, similar to Active Network's development of the ActiveWorks platform. ActiveWorks' service-oriented architecture allows for easy customizations and includes embedded capabilities that make larger events a more attractive ROI for the business, in our opinion. Additionally, we expect The Active Network to leverage existing IP, along with new innovations and acquired technologies like Starcite, to succeed in altering its own architecture to accelerate new product introductions like Schwaggle, over the next couple of years.
- **Increased confidence in a potential multibillion dollar trajectory.** We came away from the investor meetings with the impression management has its sights set on becoming a multibillion business. And we believe the business strategy and product strategy are aligned to achieve this long-term goal since The Active Network has mastered the art of event registration lifecycle management. Because The Active Network has harnessed more than 10 years of technology development, it enjoys a lower long-term cost structure and faster rate of evolution of its technology, relative to other event registration lifecycle management vendors, in our opinion. And given the fact that we think The Active Network is the 800-lb gorilla in the space, we foresee strong pricing power and attractive cross selling opportunities in the future. We believe this technological advantage, along with a dominant brand, sets the stage for an enduring business model that will grow rapidly with high profit margins.



- **Margin expansion thesis appears on track.** Part of the ACTV bull thesis revolves around on-going margin expansion in the model. For the past two years EBITDA margins have grown ~200-300 bps annum and guidance assumes a similar 300bps expansion, excluding acquisitions. Margins are likely to stay flat in 1H:2012 (vs. 2H: 2011) owing to higher integration costs and lower revenue recognized upfront from Starcite, but likely to accrete more meaningfully in 2H:2012 and 2013 from salesforce efficiency gains, lower R&D spend, and higher bookings, in our view.
- **Multiple expansion potential.** Since the Street is not currently valuing the business on Price/Sales, despite a highly, recurring revenue stream and SaaS industry leading retention rates, we believe consistent execution and further ActiveWorks adoption could expand the company's trading multiple. In contrast to older products, ActiveWorks is not a stand-alone point-product but a platform that could be used by other divisions within a business. Thus, the organic growth potential with existing customers is more attractive with ActiveWorks than the legacy solutions. One hurdle for revenue growth is migrating the customer to the new platform, which typically involves a more consultative engagement.

Exhibit 1: Q1 Open Job Positions Trend

	1/6/2012	1/13/2012	1/20/2012	1/27/2012	2/3/2012	2/10/2012	2/17/2012	2/24/2012	3/2/12
Open Sales Positions	64	66	69	67	69	84	82	82	94
% change since start of quarter		3%	8%	5%	8%	31%	28%	28%	47%
Total Open Positions	139	147	161	164	163	192	193	185	194
% change since start of quarter		6%	16%	18%	17%	38%	39%	33%	40%

Source: Active.com

VALUATION:

Currently, ACTV shares trade 19x EV/2012E EBITDA. Our \$19 price target for ACTV shares is based on the same EV/EBITDA multiple (i.e., 19x) applied to our 2013 EBITDA estimate of \$60M. We roll over the valuation multiple to the out year and believe this multiple is appropriate since the business has a highly predictable revenue stream and the multiple is below our 20% long-term CAGR expectation. ACTV shares also trade at 2.1x EV/FTM estimated revenue, which is a 50% discount to the current SaaS companies' group average of 4.2x. Our \$19 per-share price target for ACTV shares is also based on 2.2x our EV/2013E revenue estimate of \$485M, as we use a similar valuation multiple in the out year. We think ACTV shares should continue to trade at a discount to the SaaS group average on EV/Rev's owing to its higher services revenue mix and lower gross margins than most SaaS vendors. We use a 50% multiple discount to the group average to reflect the model differences.

RISKS TO PRICE TARGET:

Risks to our price target include: 1) acquisition integration challenges; 2) macroeconomic fluctuations; 3) increased churn; 4) failure to demonstrate leverage to R&D spend; and 5) failure to expand into other verticals and geographies.

COMPANY DESCRIPTION:

Active Network is a cloud computing applications provider serving the outdoor, sports, community, and corporate business segments. Its products and solutions allow organizations to automate online registrations, automate workflow processes and better manage their activities. The company introduced its technology platform in 1999 and has become over time one of the largest online sites for a broad range of consumer and corporate activities. Active Network maintains its headquarters in San Diego, California.

The Active Network

Income Statement

\$ in millions, except per share)

	2011							2012E					2013E				
	2009	2010	Q1 Mar-11	Q2 Jun-11	Q3 Sep-11	Q4 Dec-11	FY 2011	Q1E Mar-12	Q2E Jun-12	Q3E Sep-12	Q4E Dec-12	FY 2012E	Q1E Mar-13	Q2E Jun-13	Q3E Sep-13	Q4E Dec-13	FY 2013E
Technology	210.5	237.7	63.1	85.6	76.3	65.5	290.4	79.5	107.8	99.2	87.2	373.7	89.4	122.0	111.3	96.9	419.7
Y/Y % Change	13%		15%	20%	22%	33%	22%	26%	20%	30%	33%	29%	12%	13%	12%	11%	12%
Q/Q % Change			28%	36%	-11%	-14%		21%	35%	-8%	-12%		3%	36%	-9%	-13%	
% of Total Rev	86.7%	85.0%	86.8%	86.4%	85.2%	86.1%	86.1%	87.3%	87.0%	86.1%	87.3%	86.9%	87.0%	86.7%	85.7%	86.8%	86.5%
Marketing Services	32.4	41.9	9.6	13.5	13.3	10.6	46.9	11.5	16.1	16.0	12.7	56.3	13.4	18.7	18.5	14.7	65.3
Y/Y % Change	29%		16%	28%	24%	-15%	12%	20%	20%	20%	20%	20%	16%	16%	16%	16%	16%
Q/Q % Change			-23%	40%	-1%	-21%		9%	40%	-1%	-21%		5%	40%	-1%	-21%	
Total Revenue	242.9	279.6	72.7	99.0	89.6	76.0	337.3	91.1	123.9	115.1	99.9	430.0	102.8	140.8	129.8	111.6	485.0
Y/Y % Change	40%	15%	15%	21%	23%	23%	21%	25%	25%	29%	31%	27%	13%	14%	13%	12%	13%
Q/Q % Change			18%	36%	-10%	-15%		20%	36%	-7%	-13%		3%	37%	-8%	-14%	
Cost of Revenue																	
Cost of Technology Revenue		91.0	26.0	33.1	32.4	28.2	119.7	33.4	43.1	40.7	35.8	152.9	36.7	50.0	45.6	39.7	172.1
Technology Margin			58.8%	61.3%	57.6%	56.9%		58.0%	60.0%	59.0%	59.0%		59.0%	59.0%	59.0%	59.0%	
Cost of Marketing Services		6.2	1.2	1.5	1.6	1.7	6.0	1.6	2.3	2.2	1.8	7.9	1.9	2.6	2.6	2.1	9.1
Marketing Services Margin			87.9%	89.0%	88.0%	83.8%		86.0%	86.0%	86.0%	86.0%		86.0%	86.0%	86.0%	86.0%	
Gross Profit	153.2	182.3	45.6	64.4	55.6	46.1	211.7	56.0	78.5	72.2	62.4	269.2	64.3	88.1	81.6	69.8	303.8
Gross Margin	63.1%	65.2%	62.7%	65.0%	62.1%	60.7%	62.8%	61.5%	63.4%	62.7%	62.4%	62.6%	62.5%	62.6%	62.9%	62.6%	62.6%
Operating Expense																	
Sales and Marketing	49.8	58.5	16.8	18.3	16.8	16.9	68.8	22.0	23.1	20.3	20.1	85.5	24.1	26.5	23.9	23.6	98.2
% of Total Revenue	20.5%	20.9%	23.0%	18.5%	18.8%	22.2%	20.4%	24.1%	18.6%	17.6%	20.1%	19.9%	23.5%	18.9%	18.4%	21.2%	20.2%
Y/Y % Change	3%	18%	15%	22%	13%	20%	18%	31%	26%	21%	19%	24%	10%	15%	18%	18%	15%
Research and Development	58.2	60.9	16.1	16.2	17.3	16.3	65.8	20.4	21.2	19.9	17.9	79.4	19.2	23.0	21.9	20.8	84.8
% of Total Revenue	23.9%	21.8%	22.1%	16.3%	19.3%	21.4%	19.5%	22.4%	17.1%	17.3%	17.9%	18.5%	18.6%	16.3%	16.8%	18.6%	17.5%
General and Administrative	29.7	38.0	10.2	11.1	10.4	14.2	45.8	17.5	17.6	15.5	12.4	63.0	15.1	19.7	18.7	17.8	71.3
% of Total Revenue	12.2%	13.6%	14.0%	11.2%	11.6%	18.7%	13.6%	19.2%	14.2%	13.5%	12.4%	14.7%	14.7%	14.0%	14.4%	15.9%	14.7%
Total Costs and Expenses	245.8	270.8	73.8	83.9	82.1	81.2	321.0	102.7	113.6	105.0	94.3	415.7	103.4	128.3	119.0	110.3	461.0
PF Operating Income	3.0	5.8	(1.1)	15.1	7.4	(5.1)	16.3	(11.6)	10.3	10.1	5.6	14.3	(0.5)	12.5	10.8	1.3	24.0
PF Operating Margin	1.2%	2.1%	(1.5%)	15.3%	8.3%	(6.7%)	4.8%	(12.8%)	8.3%	8.8%	5.6%	3.3%	(0.5%)	8.9%	8.3%	1.1%	4.9%
Non-Cash Items/Stock Comp./Other	35.1	26.7	(7.5)	(7.3)	(7.9)	(9.7)	(32.3)	(13.5)	(13.9)	(12.8)	(11.7)	(51.8)	(12.8)	(14.7)	(14.2)	(13.2)	(54.9)
Total Other Income	(3.8)	(4.8)	(1.3)	(1.2)	(0.0)	(0.2)	(2.7)	1.0	1.0	1.0	1.0	4.0	1.0	1.1	1.2	1.3	4.6
PF Net Income	(15.3)	(10.1)	(5.3)	10.2	3.1	(1.8)	6.2	(26.5)	8.8	10.0	5.3	(3.2)	(18.2)	10.6	10.2	(1.8)	(0.0)
PF Net Income %	-6.3%	-3.6%	-7.3%	10.3%	3.4%	-2.4%	1.8%	-29.0%	7.1%	8.7%	5.3%	-0.7%	-17.7%	7.5%	7.9%	-1.6%	0.0%
GAAP Net Income	(37.9)	(27.2)	(10.9)	5.5	(1.4)	(8.5)	(14.6)	(28.9)	(3.1)	(2.1)	(5.9)	(40.0)	(16.7)	(1.5)	(2.9)	(14.4)	(35.5)
PF EPS	(\$0.38)	(\$0.25)	(\$0.13)	\$0.18	\$0.05	(\$0.03)	\$0.07	(\$0.41)	\$0.13	\$0.15	\$0.08	(\$0.05)	(\$0.26)	\$0.15	\$0.14	(\$0.02)	(\$0.00)
Y/Y % Change	44.0%	35.8%	30.3%	256.3%	377.7%	76.8%	N/A	(217.5%)	(24.4%)	209.5%	N/A	N/A	36.5%	11.8%	(5.9%)	N/A	99.3%
GAAP EPS	(\$1.57)	(\$1.33)	(\$0.43)	\$0.03	(\$0.03)	(\$0.16)	(\$0.58)	(\$0.53)	(\$0.06)	(\$0.04)	(\$0.10)	(\$0.73)	(\$0.29)	(\$0.03)	(\$0.05)	(\$0.25)	(\$0.62)
Fully Diluted Shares Outstanding (M)	40.5	41.7	49.0	57.4	62.8	63.5	58.2	63.8	65.0	66.3	67.7	65.7	69.0	70.4	71.8	73.2	71.1
Adj. EBITDA	15.7	25.1	2.6	20.8	12.7	2.3	38.0	-4.1	18.3	18.8	14.9	47.9	7.5	21.2	20.1	11.3	60.1
Y/Y Change %		60%	145%	76%	37%	-20%	51%	-259%	-12%	48%	558%	26%	-284%	16%	7%	-24%	26%
Adj. EBITDA margin (%)	6%	9%	4%	21%	14%	3%	11%	-5%	15%	16%	15%	11%	7%	15%	15%	10%	12%
Adj. EBITDA/Share	\$0.39	\$0.60	\$0.05	\$0.36	\$0.20	\$0.04	\$0.65	(\$0.06)	\$0.28	\$0.28	\$0.22	\$0.73	\$0.11	\$0.30	\$0.28	\$0.15	\$0.85

Management Guidance				
Net Revenues (\$M)	84-88	72-76	333-337	89-93
Registration Growth	5% to 7%	12% to 14%		13% to 15%
Rev Per Registration Growth	6% to 8%	1% to 3%		3% to 5%
Net Loss (\$M)	(3.5)-(1.5)	(15)-(13)	(22) - (20)	(27) - (25)
Interest, taxes & other (\$M)	0.9			
Depreciation & Amortization (\$M)		11.6	44.0	15.2
SBC (\$M)	1.6		8.0	5.8
Adjusted EBITDA (\$M)	10-12	1-3	36.7-38.7	(5) - (3)

Source: Company reports and ThinkEquity LLC estimates

The Active Network
Balance Sheet and Cash Flow Model
US \$ Millions, except per share

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3/6/2012

	2009	Q1 Mar-10	Q2 Jun-10	Q3 Sep-10	Q4 Dec-10	Q1 Mar-11	Q2 Jun-11	Q3 Sep-11	Q4 Dec-11		Q1E Mar-12	Q2E Jun-12	Q3E Sep-12	Q4E Dec-12	Q1E Mar-13	Q2E Jun-13	Q3E Sep-13	Q4E Dec-13
Balance Sheet																		
Current Assets:																		
Cash and Equivalents	\$26.4			\$36.9	\$31.4	\$60.8	\$157.5	\$139.0	\$108.7									
Restricted cash	\$5.0			\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$1.5									
Accounts Receivable	27.6			39.1	34.1	45.8	55.7	61.2	66.5									
Inventories									1.7									
Prepaid expense and other current assets	3.7			4.4	4.2	4.9	6.9	6.0	6.2									
Total Current Assets	62.6			85.4	74.7	116.5	225.1	211.2	184.5									
Long-term Assets:																		
PP&E	26.7			28.0	28.2	27.5	26.9	28.9	33.8									
Software development costs	27.0			35.7	37.0	39.5	42.2	43.6	45.1									
Goodwill	203.0			206.4	207.1	213.5	213.4	213.4	333.7									
Deposits and other assets	2.3			2.4	2.3	3.3	2.2	2.0	2.1									
Total Assets	381.9			402.8	390.5	440.7	545.0	531.6	599.3									
Current Liabilities:																		
Accounts Payable	3.4			4.0	5.4	6.4	5.0	4.5	8.5									
Registration fees payable	30.2			47.3	40.7	81.2	99.6	76.2	72.4									
Accrued expenses	27.6			34.4	32.2	39.6	31.7	36.1	41.1									
Deferred Revenue	25.0			35.9	34.0	36.1	46.1	52.7	54.9									
Current portion of debt	13.0			14.8	16.9	14.1	0.0	0.0	5.0									
Capital lease obligations, current	1.9			2.0	2.0	2.1	2.0	2.9	3.3									
Other current liabilities	0.1			2.3	1.6	1.7	2.6	2.6	42.6									
Total Current Liabilities	101.3			140.8	132.7	181.2	187.0	174.9	227.9									
Long-term Liabilities																		
Debt, net of current portion	35.7			28.5	27.5	27.1	0.0	0.0	0.0									
Capital lease obligations, net of current	3.6			1.8	1.7	1.0	1.0	0.6	1.7									
Other Long-term liabilities	2.0			1.9	4.4	5.1	5.3	5.6	6.1									
Deferred tax liability	16.3			17.8	18.0	19.0	19.7	19.6	16.9									
Total Liabilities	159.0			162.3	156.7	206.3	213.0	200.8	252.6									
Total Preferred Stock	364.2			385.0	0.0													
Total Shareholders' Equity	-141.3			-144.6	233.9	234.4	332.0	330.8	346.7									
Total Liabilities and Equity	381.9			402.8	390.5	440.7	545.0	531.6	599.3									
Net Cash																		
Net Cash	23			35	30	60	157	138	107									
Q/Q growth in net cash					-15%	101%	162%	-12%	-23%									
Days Sales Outstanding					7	6	4	5	2									
Net Cash / Share				\$0.84	\$0.71	\$1.22	\$2.73	\$2.20	\$1.69									
Deferred Revenue & Billings Analysis																		
Total Deferred Revenue	27			38	38	41	51	58	61									
Deferred Revenue Q/Q Absolute Change					1	3	10	7	3									
Q/Q % Change					1%	7%	25%	13%	5%									
Y/Y % Change	24%				42%			54%	59%									
Billings				62	76	109	96	79										
Q/Q % Change					22%	45%	-12%	-18%										
Y/Y % Change								27%										
LTM Billings/FTM Revenue		0%	0%	0%	18%	39%	65%	85%	84%									
Billings (based only on Short-term Deferred Rev)	38	82	109	60	75	109	96	78										
Q/Q % Change			114%	33%	-45%	25%	46%	-12%	-19%									
Y/Y % Change						96%	33%	-12%	31%									
Billings (based upon Cashflow chg. In Deferred Rev)	63	82	73	70	75	109	95	82										
Q/Q % Change			29%	-10%	-4%	6%	46%	-12%	-14%									
Y/Y % Change						18%	33%	31%	17%									
Cash Flow Model																		
Cash from operations	27.5			42.1	30.1	26.5	(5.0)	10.4		37.3	36.9	(8.6)	(9.3)		48.7	36.5	(8.6)	(12.1)
OCF per Share				\$ 1.01	\$ 0.61	\$ 0.46	\$ (0.08)	\$ 0.16		\$ 0.58	\$ 0.57	\$ (0.13)	\$ (0.14)		\$ 0.71	\$ 0.52	\$ (0.12)	\$ (0.17)
LTM Total	27.5			42.1				93.7		69.2	79.6	76.0	56.2		67.7	67.3	67.3	64.5
LTM Y/Y Change %				53%				47%				-19%	-9%				-11%	15%
LTM total cash from operations per share				\$ 1.01			\$ 1.49	\$ 0.98		\$ 1.08	\$ 1.22	\$ 1.15	\$ 0.83		\$ 0.98	\$ 0.96	\$ 0.94	\$ 0.88
% of Billings				68%		40%	24%	13%										
CapEx	(25.0)			(30.4)	(4.5)	(4.5)	(11.0)	(11.0)		(4.8)	(4.8)	(7.9)	(3.1)		(5.2)	(5.3)	(8.7)	(3.1)
LTM Total	(25)			(30)				(31)		(31)	(32)	(28)	(21)		(21)	(22)	(22)	(22)
LTM Y/Y Change %	250%			22%				2%				-44%	-34%				-22%	9%
Free cash flow	2.5			11.7	25.6	22.0	(16.0)	(0.6)		32.5	32.1	(16.5)	(12.4)		43.5	31.2	(17.3)	(15.2)
FCF per Share				\$ 0.28	\$ 0.52	\$ 0.38	\$ (0.25)	\$ (0.01)		\$ 0.56	\$ 0.50	\$ (0.25)	\$ (0.19)		\$ 0.63	\$ 0.44	\$ (0.24)	\$ (0.21)
LTM Total	2.5			11.7			43.3	31.0		37.9	48.0	47.5	35.7		46.6	45.8	45.0	42.2
LTM Y/Y Change %							164%	15%				10%	15%				-5%	18%
LTM total free cash flow per share				\$ 0.28		\$ 0.69	\$ 0.49	\$ 0.53		\$ 0.59	\$ 0.74	\$ 0.72	\$ 0.53		\$ 0.68	\$ 0.65	\$ 0.63	\$ 0.58

Sources for balance sheet and cash flow: Company reports and ThinkEquity LLC estimates



COMPANIES MENTIONED IN THIS REPORT:

Company	Exchange	Symbol	Price	Rating
Concur Technologies, Inc.	NASDAQ	CNQR	\$58.95	Hold
Oracle Corporation	NASDAQ	ORCL	\$30.24	Buy
RightNow Technologies, Inc.	NASDAQ	RNOW	\$43.00	Hold
salesforce.com, Inc.	NYSE	CRM	\$142.08	Buy
The Ultimate Software Group, Inc.	NASDAQ	ULTI	\$69.93	Hold

Important Disclosures

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Distribution of Ratings, Firmwide				
ThinkEquity LLC				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	125	65.40	13	10.40
HOLD [H]	53	27.70	2	3.77
SELL [S]	13	6.80	0	0.00



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