



## INITIATION | COMMENT

JULY 5, 2011

**Active Network, Inc. (NYSE: ACTV)**  
**The Ironmen of the Internet****Outperform**  
**Above Average Risk**

Price:	18.01	Price Target:	22.00
Shares O/S (MM):	53.0	Implied All-In Return:	22%
Dividend:	0.00	Market Cap (MM):	955
		Yield:	0.0%

**Active Network Grinds Out Steady Growth and Margin Expansion**

**Net:** We are initiating coverage of Active Network with an Outperform rating and \$22 price target. ACTV is the leading online event registration company, handling over 70m transactions per annum for organizations in the sports, outdoors, community, and corporate sectors. We believe ACTV deserves a premium to our Internet coverage peer universe, as it has business model attributes that stand out amongst its peers. Similar to online advertising and e-commerce, ACTV operates in a large addressable market with low online penetration, but what separates ACTV from the peers is the company's very high level of revenue visibility and the lower-than-average level of competition. These two factors, among others listed below, should allow ACTV to grow into a much larger company, both organizationally and financially. We forecast revenue and EBITDA growth of 15% and 54% in 2012. Shares trade at 2.1x EV/revenue, below the SAAS peer group, and 4.8x 2012E EBITDA which is at the higher end of the Internet peer universe, but as margin expansion plans take form, the EBITDA multiple should reduce by 30%-40% per annum as we flip the calendar. Our \$22 price target is based on 15x EBITDA, a 3% FCF yield and 3.5x revenue.

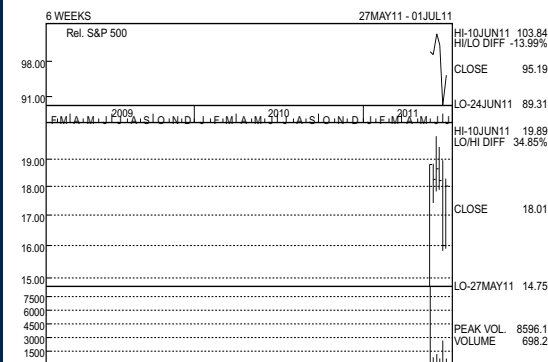
**Reasons to Own Active Network:** We see six key reasons to own shares of ACTV: 1) Highest revenue visibility in our space: ACTV should see stable 2010-2012E 15% revenue CAGR with high visibility and low customer churn for the foreseeable future. 2) Expanding EBITDA margins: Our model assumes 43% adjusted EBITDA CAGR through 2012 and margin expansion from 9% in 2010 to a target of ~25% by 2015, as duplicative costs come out of R&D, with additional leverage in COGS and G&A. 3) Large underpenetrated TAM: ACTV operates in a \$10B event registration market, with only ~3% currently online, below online advertising and e-commerce penetration. 4) Mix shift to online drives revenue and margins: ACTV's model should see higher revenue and lower expenses as registrations shift from offline to online. 5) Minimal competition online: ACTV's nearest competitor is only 15% its size and few operate across verticals. 6) High quality management team: A proven management team has demonstrated its ability to grow the business both organically and through accretive M&A.

**Risks to Monitor:** There are three primary risks to our investment thesis: 1) ACTV's margin expansion thesis does not play out over the set timeline (or does not play out at all). 2) While unlikely, ACTV could lose large contracts material to financial statements as states/municipalities struggle financially. 3) M&A and related complications around integration could materialize.

**Valuation:** Shares trade at 12x our 2012E EBITDA and 2.1x 2012E revenue vs. the peer universe at 19x and 3.7x. Our \$22 price target is based on 15x 2012E EBITDA, a 3% FCF yield and 3.5x revenue.

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

For Required Conflicts Disclosures, see Page 38.

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FY Dec	2010A	2011E	2012E	
Revenue (MM)	279.6	322.0	370.9	
Adj EBITDA (MM)	25.1	33.1	51.0	
Adj EPS - FD		(0.35)	0.08	
P/AEPS	NM	NM	NM	
Revenue (MM)	Q1	Q2	Q3	Q4
2010	63.2A	81.7A	73.1A	61.6A
2011	72.7A	94.6E	85.5E	69.3E
2012	82.3E	108.7E	100.3E	79.6E
Adj EBITDA (MM)				
2010	1.1A	11.8A	9.3A	2.9A
2011	2.6A	17.2E	11.5E	1.8E
2012	5.0E	25.9E	17.4E	2.7E
Adj EPS - FD				
2011	(0.24)A	0.09E	(0.01)E	(0.20)E
2012	(0.10)E	0.23E	0.09E	(0.14)E

All values in USD unless otherwise noted.

## Summary and Investment Conclusion

Active Network (ACTV) is a company that shows many of the attributes of successful Internet companies that we like to see, including: 1) a unique business model that is difficult to replicate or compete against; 2) a unique relationship with its customers (both organizations and participants); and 3) strong recurring revenue and visibility.

ACTV's business model is simple: the company automates the labor-intensive process of registering participants for different kinds of events. Organizations from triathlons to soccer camps to campgrounds to church groups all use Active Network's software and websites to register participants online for their respective events. ACTV's solutions are mission-critical for many of these organizations, which historically (and in many cases currently) had to manage the registration process manually offline. Active Network not only processes the registration transaction, but also provides lots of analytics, tracking, optimization and demand generation tools to its customers in an effort to increase the event organizer's revenue and decrease costs. For these services and solutions, ACTV charges its customers around 6.5% of each registration fee, which aligns the customer's incentive of increasing the size (and revenue generation) of the event, with Active Network's goal of increasing its revenue.

Looking across the landscape of online advertising, online travel and e-commerce sectors that we cover, we find few companies that enjoy Active Network's dominant position in its space and below-average level of large-scale competition. The company's 2010-2012E 15% revenue CAGR may fall short of some of the faster-growing, newer business models emerging in the space, but few others have the same entrenched position in their respective industry. As a result, shareholders are likely to realize value over time as the company continues on its stable growth trajectory but begins to pull some of the cost/efficiency levers. Our expectation for a highly predictable, 15% revenue CAGR with expanding margins is likely to warrant a premium valuation over time.

## ACTV Valuation Comparables

Exhibit 1: Active Network Valuation Comparables

Company	Ticker	Rating	Price	Shares Out (mm)	Market Cap	Adjusted EV (USD)	EV/SALES FY12E	EV/EBITDA FY12E	FCF Yield FY12E
<b>Category Leaders</b>									
Netflix	NFLX	NR	\$262.69	52.5	13791	13444	3.2x	19.5x	4.4%
Amazon	AMZN	OP-AA	\$204.49	459.0	93861	86343	1.4x	22.3x	5.4%
Priceline	PCLN	OP-AA	\$511.93	51.7	26467	24428	4.8x	14.2x	5.8%
Blue Nile	NILE	SP-AA	\$43.98	15.2	668	580	1.5x	15.0x	8.3%
Opentable	OPEN	NR	\$83.12	23.5	1953	1884	10.2x	24.1x	
WebMD	WBMD	NR	\$45.58	58.2	2653	2251	3.0x	8.3x	4.4%
Dice Holdings, Inc.	DHX	NR	\$13.52	66.5	899	824	4.0x	9.0x	7.3%
<b>Average</b>							<b>4.0x</b>	<b>16.1x</b>	<b>5.9%</b>
<b>SAAS</b>									
Salesforce	CRM	OP-A	\$135.37	132.9	17991	16524	6.6x	32.6x	3.1%
Concur	CNQR	OP-S	\$50.08	53.9	2699	2155	5.3x	17.4x	4.3%
Blackboard	BBBB	NR	\$45.31	34.7	1572	1551	2.8x	11.2x	7.8%
Constant Contact	CTCT	OP-S	\$26.76	29.5	789	609	2.4x	12.4x	7.4%
LogMeIn	LOGM	OP-S	\$42.55	24.1	1025	775	5.6x	18.6x	5.1%
SuccessFactors	SFSF	OP-S	\$33.80	77.5	2620	2118	6.4x	111.4x	2.8%
<b>Average</b>							<b>4.8x</b>	<b>33.9x</b>	<b>5.1%</b>
<b>Online Advertising</b>									
Valueclick	VLCK	SP-S	\$16.60	81.6	1355	1080	2.1x	6.8x	9.1%
Marchex	MCHX	SP-S	\$8.88	37.4	332	286	1.9x	11.7x	5.1%
interCLICK	ICLK	OP-S	\$7.96	26	207	188	1.1x	6.6x	5.8%
Google	GOOG	OP-A	\$506.38	326.4	165282	125670	4.0x	7.3x	8.2%
Yahoo	YHOO	OP-A	\$15.04	1320.2	19856	4535	1.1x	2.4x	17.9%
Demand Media	DMD	OP-AA	\$13.55	89.9	1218	1050	2.7x	8.4x	7.6%
<b>Average</b>							<b>2.1x</b>	<b>7.2x</b>	<b>8.9%</b>

Source: Company reports, RBC Capital Markets estimates, Thomson One (for not rated companies)

Note: salesforce, Concur, Constant Contact, LogMeIn, and SuccessFactors are covered by RBC Capital Markets LLC analyst Robert Breza, 612-313-1207.

Ratings Legend: OP - Outperform, SP - Sector Perform, NR - Not Rated, S - Speculative, AA - Above Average, A - Average

Priced as of market close June 30, 2011.



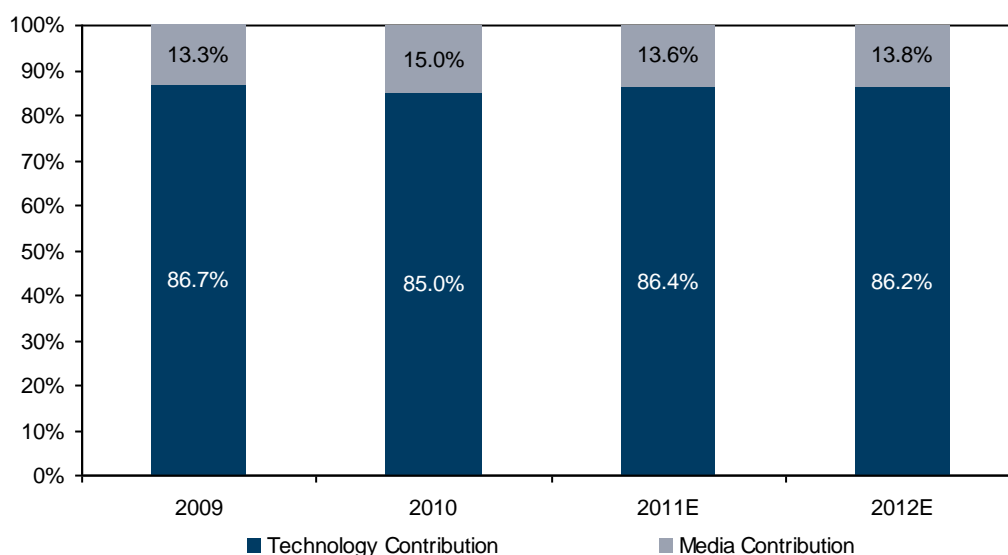
## Investment Thesis

Our bullish thesis on Active Network is based on the following six factors: 1) the company has the highest level of revenue visibility in our coverage universe; 2) we expect EBITDA margins to expand significantly through 2015; 3) ACTV operates in a large addressable market with low online penetration; 4) revenue and margins will naturally benefit from a shift to online; 5) there is minimal competition that poses any real threat to Active Network's position; and 6) ACTV's proven management team has demonstrated its ability to execute and grow the business both organically and through accretive M&A.

### Active Network Has the Highest Level of Revenue Visibility in Our Coverage Universe

The recurring nature of the events that Active Network supports and the long-term nature of its customer contracts (and low churn) provide the company with an unusually high level of revenue visibility. Active Network can predict approximately 85% of the following year's revenue before the start of the year. The organizations that Active Network provides its services to operate events on a regular schedule each year or several times per year, and ACTV can reasonably expect to run the same event the following year. Active's goal is to reduce costs and increase revenue for its clients, while increasing the mix of event participants signing up through Active Network (vs. offline) and hence online.

**Exhibit 2: Highly Predictable Technology Revenue as a Percentage of Total Revenue**



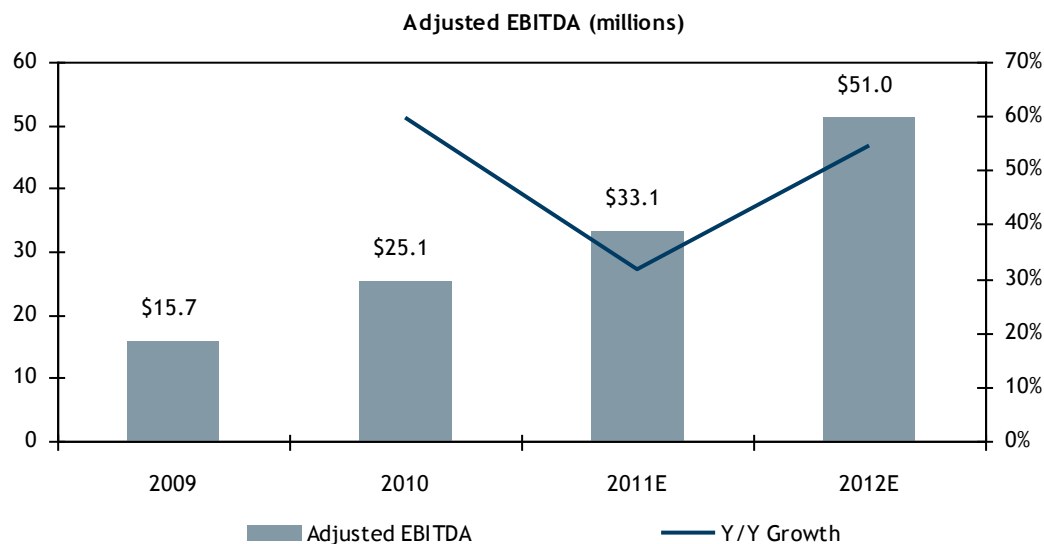
Source: Company reports, RBC Capital Markets estimates

Revenue from the Technology segment, which includes registrations, subscriptions, and maintenance, makes up ~85%+ of the company's revenue each year, and is highly predictable. As noted, most events are recurring in nature, and the standard technology contract at Active Network is for three years. The company also performed an internal study on 75% of its registration revenue and noted that registration revenue has a churn rate of less than 5% per year, representing a high level of customer retention (and hence satisfaction) compared to other companies in the online services space.

### EBITDA Margins to Expand Significantly

Active Network expects its adjusted EBITDA margin to expand by as much as 1600bp over the next several years, from the 9% level in 2010 to a target of ~25% by 2013-2015. As a result, our adjusted EBITDA estimate is projected to grow at a 43% CAGR from 2010 to 2012, well ahead of the peer average of 29% (defined as our coverage universe), despite revenue growth at only a 15% CAGR. We project adjusted EBITDA to grow to \$33.1 million in 2011 and \$51.0 million in 2012, up from \$25.1 million in 2010.

## Exhibit 3: Adjusted EBITDA Estimates and Growth



Source: Company reports, RBC Capital Markets estimates

Exhibit 4 illustrates where Active Network expects to gain leverage in each expense line in its income statement in order to reach its target adjusted EBITDA margin of ~25%. (Note that the individual expense lines include depreciation and amortization which are added back to arrive at adjusted EBITDA, and thus adding these lines together does not arrive at the total EBITDA margin shown.) We discuss each of these expense areas below.

## Exhibit 4: Target EBITDA Margin

	2008	2009	2010	2011E	2012E	2013-2015 Target
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	
Operations	46.0%	44.1%	43.4%	42.4%	40.7%	~37.5%
Sales & Marketing	27.9%	20.5%	20.9%	21.5%	20.7%	~19.0%
Research & Development	18.3%	23.9%	21.8%	21.5%	20.3%	~16.5%
General & Administrative	16.8%	12.2%	13.6%	13.4%	13.4%	~10.0%
Adjusted EBITDA	-0.6%	6.5%	9.0%	10.3%	13.8%	22.5%-27.5%

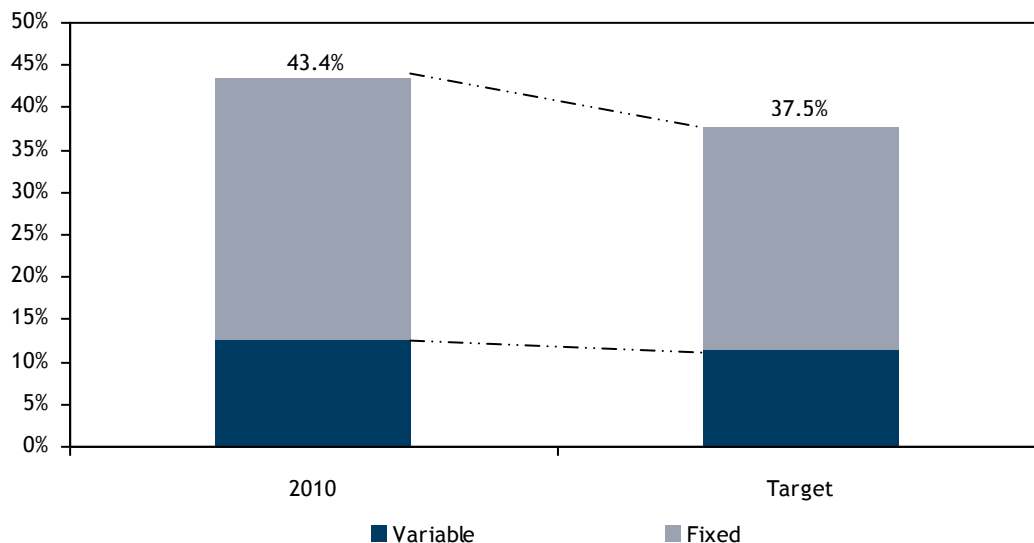
Note: Combined OPEX lines above do not total to adjusted EBITDA as they include additional depreciation and amortization expenses which are removed to arrive at adjusted EBITDA.

Source: Company reports, RBC Capital Markets estimates

## Cost of Revenues

Active Network expects to achieve leverage of ~500-600bp in cost of revenues from 2010 to 2013-2015, going from 43.4% reported in 2010 to ~37.5%. Cost of revenue at ACTV includes primarily credit card fees, call center costs, web hosting, and other related employee costs to support revenue growth. Variable costs consist primarily of credit card fees, and parts of ACTV's headcount in this area, which will increase with revenues. COGS leverage should come largely from efficiencies around fixed costs like infrastructure expenses and call center efficiencies, and represent ~70% of COGS, we estimate. As registration volume mix shifts towards online registrations (vs. offline), the need for call center staffing and technology will be reduced, further driving leverage in the category. Investments in technological improvement will drive operational efficiencies around telephony and web hosting costs, as well as reducing headcount needs.

Exhibit 5: COGS as a Percent of Revenue

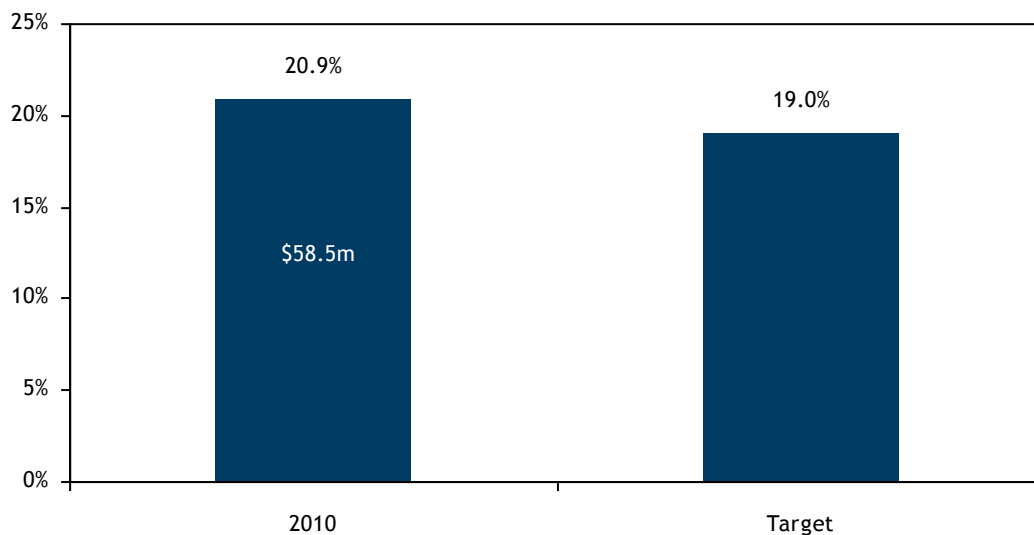


Source: Company reports and estimates

### Sales & Marketing

The company expects Sales & Marketing (S&M) expense as a percentage of revenue to achieve the least amount of leverage in the coming years, with only around 200bps through 2013-2015 (21% to 19% of revenue). ACTV will continue to invest in S&M activities to increase its breadth of organizations and events under management. S&M expense is largely comprised of salary and benefits for sales and marketing employees, but also includes other promotional and marketing activities, including direct and online marketing. As the sales staff matures and becomes more productive, we estimate the company should see modest operating leverage.

Exhibit 6: S&amp;M as a Percent of Revenue



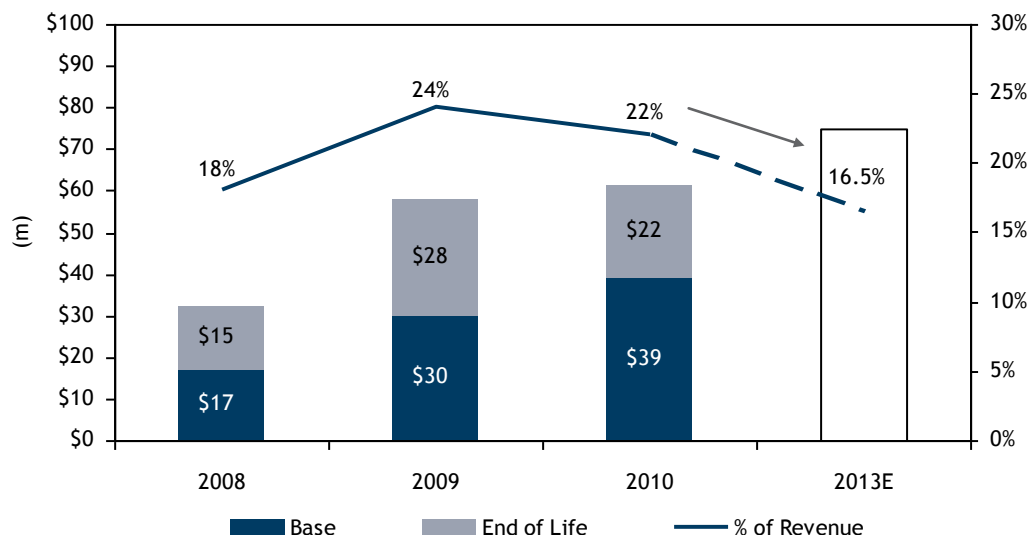
Source: Company reports and estimates

### Research & Development

Active Network expects to achieve leverage of ~500bp-600bp from Research & Development (R&D) from 2010 to 2013-2015, going from 22% of revenue in 2010 to ~16.5% in three to five years. R&D costs support the technology platforms used and thus reflect both in-house platforms that will be used going forward (the “Base” platforms), as well as those added in corporate acquisitions and older systems being retired (the “End of Life”, or “EOL”, platforms). The company is building a unified single platform for all of its various customers and verticals to operate on top of. This project is one of the largest initiatives at ACTV over the next several years and

should bring about efficiencies and greater speed and flexibility to roll out new features and services to its clients. In the interim, the older and acquired systems must be maintained and kept reasonably up to date until customers operating through those platforms can be ported over to the new Active Network software stack, a process that is likely to take several years.

**Exhibit 7: R&D as a Percent of Revenue**



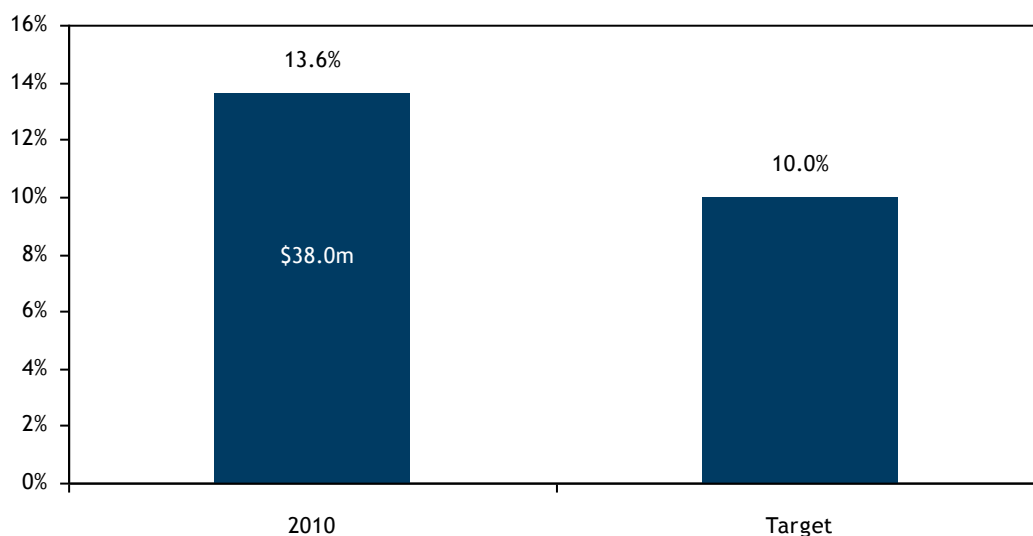
Source: Company reports and estimates

Leverage from R&D will come from both economies of scale on the Base platform as well as the tapering off of expenses related to the maintenance of EOL systems.

### General & Administrative

The company expects to gain between 300bp and 400bp of leverage over the next four to five years in General & Administrative (G&A) expense as a percent of revenue, going from a reported 13.6% of revenue in 2010 to a target of ~10%. G&A expense is largely comprised of salary and benefits for employees in support roles, such as finance, legal, and public company costs, but also includes professional fees as well as software and travel expenses for support employees. Similar to most companies in our coverage universe, beyond the increased public company costs in 2011, ACTV should see operating leverage naturally in G&A as revenue growth outpaces headcount needs; support departments such as IT and Accounting will increasingly achieve economies of scale.

**Exhibit 8: G&A as a Percent of Revenue**



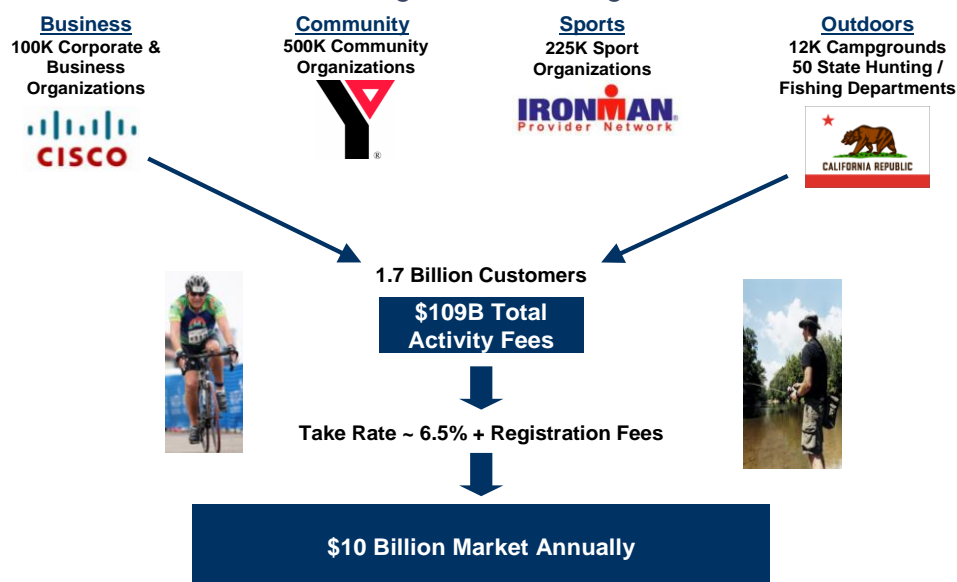
Source: Company reports and estimates

## Large TAM with Below-Average Online Penetration

### \$10 Billion Total Marketplace for Event Registrations

The event registrations marketplace is primarily one that has the vast majority (97%) processed offline. According to Active Network, in 2010, over 800,000 organizations hosted recreational or communal events that required over 1.7 billion event participants in North America to complete a registration form, with total participation or “activity” fees collected around these events summing to approximately \$109 billion. The typical registration processing fee (or “take rate”) is around ~6.5% of total activity fees, often with additional fees for registration and application. In total, this translated to the total addressable market (TAM) opportunity in the North American event registration space to more than \$10 billion in 2010.

Exhibit 9: North American Event Registration Flow-Diagram

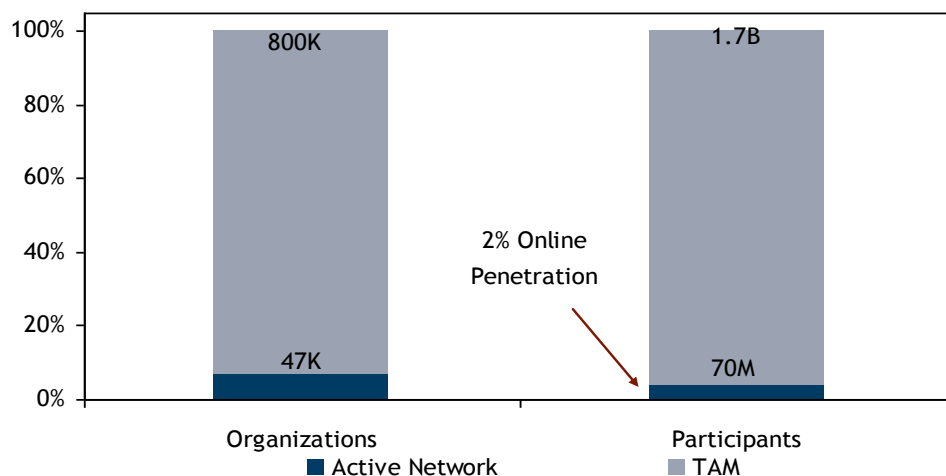


Source: Company reports

### Only 3% of Total Registrations Processed Online

According to Active Network, in 2010, only ~3% of the 1.7 billion event registrations completed were processed online, or approximately 51 million registrations. By comparison, Active Network completed around 40% of its registrations online in 2010, with 28.3 million online registrations, or on the order of 55% of the total market’s online registrations (assuming 51 million total online registrations). As more registrations move online at ACTV’s organization customers, the company could see modest acceleration in growth, as it tends to pick up a disproportionate share given its wide reach in the space.

Exhibit 10: Active Network Registration Penetration, 2010



Source: Company reports



In 2010 Active Network processed ~70 million registrations in total, which represented ~4% of total event registrations. The 70 million total registrations handled by Active Network represents ~4% of registrations in North America, and the 28 million online registrations represent only 2% of the total North American market. Active Network managed registrations for 47,000 organizations, representing ~6% of the 800,000 North American organizations that hosted an event (although we don't like to focus on total number of organizations because size of organization can significantly skew the data).

### Core Registration Segments

Active's addressable market consists of four broad organization categories (today): business, community, sports, and outdoors. Of the over 800,000 organizations that hosted an event in 2010, the vast majority, ~500,000, were community organizations, followed by sports (225,000+), business (100,000+) and outdoors (12,000+). We note that a particular organization may have any number of events and even more volume of registrations per year, so the use of organizations as a growth or market penetration metric can be somewhat misleading (and hence, we present these statistics here only to give a sense of the marketplace and clientele for Active Network). Individual registration volume estimates are also not available on a category level so it is difficult to identify an accurate market share for ACTV across the four major segments.

**Sports:** Organizations in the sports segment include endurance events (Active Network's first core services area), sport organizers, leagues, tournaments, sports camps, and golf courses. In 2010, there was a TAM of over 225,000 sport organizations, leagues and tournaments as well as 16,000 golf courses that relied on event registrations. Active Network currently manages registrations for over 1,500 public golf courses (e.g., BethPage Golf Club, Hilton Golf), 10,000+ endurance event customers (e.g., the Ironman Triathlon), and 25,500+ leagues and clubs (e.g., United States Tennis Association), so the sports segment still only addresses a fraction of the total addressable market, even though Active Network has provided services to this vertical longer than any of the others.

**Outdoors:** Outdoor organizations include campground sites and state hunting & fishing departments. In North America alone, the TAM for these organizations is over 12,000 campground sites as well as hunting & fishing departments for all 50 states. By the end of 2010, 34 states were managing their campgrounds (4,000+ parks and 3,000+ campgrounds) and 23 states were managing their hunting and fishing licenses via Active software, websites and call centers. Reserve America, ACTV's campground reservation service, acquired from IAC in 2009 for \$50 million, falls into the Outdoors vertical.

**Community:** This customer segment includes educational, non-recreational government and faith-based organizations as well as camps and park and recreation agencies. In 2010, Active Network had over 1,500+ parks departments and community recreational centers, 3,500+ educational organizations, 1,600+ summer camps and over 100+ city and country governments. That year, the TAM in North America consisted of over 90,000 educational and 55,000 non-recreational government organizations, 270,000 religious groups, 50,000 camps and 9,000 parks and recreation agencies.

**Business:** The business segment includes all corporations that are using third-party registration services to manage conferences, speaker series, fundraisers and other corporate events. In 2010 over 100,000 corporate and business organizations hosted events that required some form of event registration. ACTV has over 8,000 corporate clients including Subway, Cisco, Microsoft and Hewlett-Packard, among others.

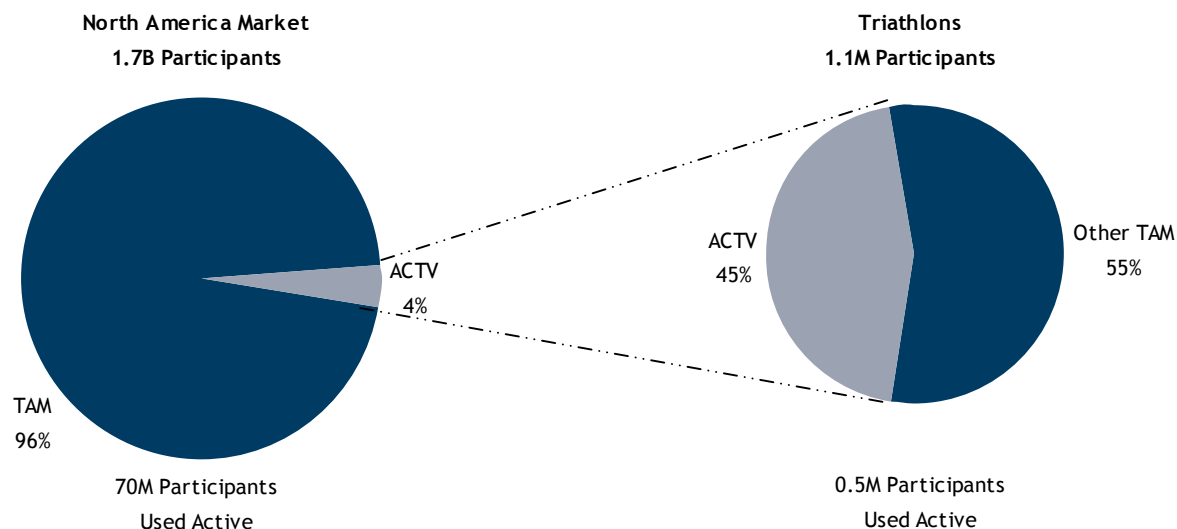
### The Endurance Vertical - A Proxy for What the Rest of the Segments Could Evolve To

Active Network holds a significantly higher percentage of the total available organizations and registrations in the endurance sports (i.e., triathlon and marathon) category. At its inception, Active Network wanted to solve the problem of participants signing up for important endurance sports events, which previously were handled mostly offline, by mail/check, which were very problematic for both organizations and participants. Event organizers realized significant revenue generation, cost savings, and troubleshooting benefits once they adopted Active Network's online registration platform. As more and more endurance events shifted their event registration and event promotions to Active Network, the company's market share in the category increased.

ACTV has been in the endurance space for 13 years and has managed to win over 70% market share of organizations in the category. More importantly, as event organizers use Active Network, they are seeing higher revenue generation and lower costs of registration over time, the real value proposition of working with Active. The company's role in the endurance category has allowed 45% of overall registrations to now take place via ACTV, well above the company's overall industry penetration of 4% (discussed below). ACTV's goal is to replicate the success it has experienced in the endurance category across each of its other verticals: winning more and more events and organizations, and shifting more registrations from offline to the more efficient online process, which is the key driver of the long-term growth thesis.



Exhibit 11: North American Triathlon Vertical vs. TAM, by Participants, 2010



Source: Company reports

In 2010, there were over 1.7 billion event registrations, of which 70 million, or 4%, were completed through Active Network. However, of the 1.1 million endurance sports registrations in the U.S. in 2010, ~500,000, or 45%, registered for their event through Active Network.

### Mix Shift to Online Drives Revenue and Margin

Active's registration business model is simple: the company earns an average of 6.5% plus additional fees for each registration that it processes (the take rate discussed below). The revenue growth at the company is driven by growing the volume of registrations managed by ACTV and increasing the revenue per registration. Volume growth is dictated by share shift from offline to online and increased market share for ACTV. Revenue per registration is mostly a function of mix of registrations.

There are two scenarios under which mix shift will drive additional registration revenue: 1) a higher take rate on hunting and fishing licenses purchased directly from Active Network versus via other means (offline and off ACTV); and 2) additional registrations captured by ACTV at events where some offline cash transactions are currently not done through the Active Network system. Beyond the revenue boost, a shift to online registrations will also cut down on costs from the more labor-intensive call centers, increasing margins. In 2010, Active Network processed 28.3 million registrations online, an increase of 20.8% vs. 2009. We estimate that the number of online registrations will increase 16% in 2011 and 14% in 2012, bringing the number of online registrations processed by ACTV in 2012 to 37.5 million. As online registration growth continues to outpace offline registration growth, we estimate that online registrations as a percentage of total registrations will increase from 35.8% in 2009 to 44.9% in 2012, or roughly 230bp of share shift per annum.

Exhibit 12: Mix Shift to Online Increases Revenue and Margin

	2009	2010	2011E	2012E
Registrations:				
Online	23.4	28.3	32.9	37.5
Y/Y%		21%	16%	14%
% of total	36%	40%	44%	45%
Offline	42.1	41.9	42.6	46.1
Y/Y%		0%	2%	8%
% of total	64%	60%	56%	55%
Revenue Per Registration	\$2.66	\$2.82	\$3.00	\$3.10
Y/Y%		6%	6%	4%
Registration Revenue	\$174.0	\$197.6	\$226.0	\$259.3
Y/Y%		14%	14%	15%

Source: Company reports, RBC Capital Markets estimates

## Exhibit 13: Estimated Registration Unit Economics

	Average Event Registration Fee	Take-rate	Revenue Per Reg.	Gross Profit Per Reg.	Gross Margin Per Reg.
Large online org.	\$40	5.0%	\$2.00	\$1.27	64%
Small online org.	\$44	9.0%	\$4.00	\$2.54	64%
Offline (hunting/fishing)	\$25	4.4%	\$1.11	\$0.49	44%

Source: Company reports, RBC Capital Markets estimates

### Licenses Booked Online Earn Higher Take Rate

Hunting and fishing licenses booked offline tend to earn a lower take rate for Active Network due to the revenue share paid out to the offline merchant. Offline registrations for licenses are typically done through retailers at a physical location, like a bait & tackle shop or a Walmart. The registrant will request the license at the cashier who enters the information into a point of sale (POS) machine and provides the license. As the retailer is performing a service, Active Network shares the revenue earned from the registration. Under the current economics, a hunting or fishing license booked at a physical retailer earns Active Network net revenue of around ~\$0.90, while a license booked online earns the company ~\$3, more than three times as much. A shift to online offers a clear benefit in a higher take rate for Active Network.

Of the over 30 million annual hunting and fishing license registrations in the U.S., only around 9% are currently booked online. While there is a natural progression for registrations to shift online, Active Network is also considering additional service options to help drive more license registrations digitally and through its internal systems. One option that is being piloted would be to install kiosks at the physical retail location, which would go directly to ACTV, but would still bring customers into the store, which is often the retailer's primary objective.

### Additional Volume as Out-of-System Registrations Move Online

Events often offer day-of registrations that are performed in cash and are not captured in the ACTV system. While Active Network may have been contracted to handle all of the registrations for the event, both on- and offline, the company has no control over these transactions, and will not be paid for the registration. In this scenario, a greater mix of online registrations simply results in a greater volume of registrations being completed through the Active Network system, driving higher revenue growth despite the take rate being equivalent between on- and offline.

### Online Registrations Cost Less per Unit than Offline Registrations for Active

As more registrations move online, ACTV will be able to realize higher margins, as noted in the "EBITDA Margins to Expand Significantly" section above. Once the initial investment has been made on the registration technology platform, online registrations have a natural lower-cost higher-efficiency over similar offline registrations, which have a higher variable labor component. Online registrations are often fully automated, so an incremental transaction does not have any associated cost (outside of minimal cost allocation for web hosting and maintenance) and is much less prone to human error. On the other hand, offline registrations are performed through one of Active Network's call centers, which have a direct labor component associated in the call technician taking and processing the registration. In the case of some outdoor activity registrations, such as campground management, the ASP is so low that the variable cost to Active Network balances out any gain in revenue, resulting in effectively a breakeven registration.

### Minimal Competition Online

The market for online event registrations is very fragmented. As discussed below, there are a number of organizations across a wide range of categories that require software solutions to handle their registrations. Active Network is the leading provider of these registration solutions by a significant margin in this fragmented space, at over six times the registration revenue and volume of its closest competitor.

ACTV has acquired a number of large and small competitors over the years in an attempt to diversify the categories that it operates in, and the organizations that it depends on. Across all of these verticals, there are common requirements from event customers: they need a solution that reduces cost, allows for tracking and management of their events, allows for marketing and promotion, and has certain compliance requirements. As a result, few service providers have the scale necessary to compete with Active Network on price and service quality.

The majority of online event registration competition comes from small niche competitors, which have legacy relationships with a few organizations in their immediate region. A few examples include Eventrite, an event-based management and e-commerce company that targets small communities events; Meetup Inc., a social network that assists group meeting organization; MyPunchBowl, a party planning and management service; and Amiando, a global SaaS provider that assists with event marketing, registration and payment

processing. Many of the smaller competitors are below ACTV's radar, although as an example of one that could present a competitive threat, we briefly describe Cvent below.

### Cvent

Cvent is an event, survey and e-marketing solutions company that employs over 800 personnel worldwide. According to company reports, to date, Cvent is used by over 90,000 professionals, and since its inception, it has managed over 275,000 events and surveys. Cvent offers customers a variety of online services including event management, supplier networking, meeting management and web surveying. Cvent solutions compete primarily with Active Network's corporate segment, but Cvent competes in the non-profit, government and educational space as well.

Cvent's primary solutions are:

**Event Management:** A proprietary event management software that enables customers to manage registration, marketing, budgeting, analytics and other aspects of events online.

**Supplier Network Services (SNS):** SNS is an online database that matches event space suppliers with organizations that are looking for large venues to host upcoming events.

**Meeting Management:** Meeting Management solutions help organizations plan, manage and source their meetings while also providing analytical tools to help corporations identify and evaluate a meeting's effectiveness and ROI.

### High Quality Management Team

One of Active Network's biggest intangible assets is its culture. The company has many endurance sports athletes across many parts of the organization. This athletic culture has created a very driven and aggressive "get things done" attitude that most ACTV employees embrace.

Active Network has assembled a top management team, many of which have been with the company for over ten years, which embodies several qualities we see as key to the company's success. In addition to solid organic growth, a significant portion of ACTV's growth has come through acquisitions of competing and complementary companies, a strong internal culture is extremely important to ensure a successful integration; we believe that culture is driven from the top by the strong management team.

### Risks to Monitor

As mentioned above, Active Network's model is unique in that it does not have as much risk from competition as other online businesses we cover across e-commerce, online advertising and online travel. Active Network typically competes against smaller regional companies that have relationships with organizations, but can rarely compete on resource allocation, breadth of services provided, or in some cases, price. There are also some "free-mium" registration solutions that are available to organizations today and should increasingly become available as software applications shift from a client-server architecture, to a more collaborative cloud architecture over the next several years. We don't expect ACTV to lose share to these companies, but in some cases, smaller organizations could choose to in-house their registration process.

Outside of the risk from competition, we see three primary risks to our investment thesis: 1) our adjusted EBITDA growth estimates of 32% and 54% in 2011 and 2012, respectively, are contingent upon ACTV achieving operational leverage; therefore, there is a risk that any delay or failure to deliver on margin expansion plans could cause EBITDA to fall short of future estimates; 2) a loss of a large customer(s) could lead to a considerable reduction in registrations; and 3) integration risks associated with future M&A.

### Margin Expansion from Platform Upgrade Might Not Deliver on Time or Meet Expectations

Our 2011 and 2012 adjusted EBITDA estimates imply year-on-year growth rates of 32% and 54%, respectively, compared to year-on-year revenue growth of 15% in both years. As EBITDA growth outpaces revenue growth, we project ACTV's adjusted EBITDA margin will expand from 9.0% in 2010 to 13.8% in 2012. Although management expects long-term revenue growth to remain ~15%, ACTV believes that its adjusted EBITDA margin could expand to ~25% by 2015. Every 10bp reduction in our implied adjusted EBITDA margin for 2011 and 2012 would reduce our 2011 and 2012 EBITDA estimates by approximately 1%.

As noted earlier, to achieve the 25% EBITDA margin target, Active Network believes it can gain: 1) 500-600bp of leverage from cost of revenue from technological fixed cost efficiencies; 2) S&M leverage of ~200bp from revenue growth outpacing headcount increases; 3) 500-600bp of leverage from R&D as support costs for acquired platforms are reduced over time; and 4) 300-400bp of leverage from G&A from efficiencies in infrastructure and from revenue growth outpacing headcount increases.

Cost of revenue leverage should come largely from efficiencies in fixed costs (call center expenses) as registration mix shifts to online; however, it could happen that users fail to use online for registration or the shift to online happens much slower than expected, which would result in a delay or elimination of cost of revenue leverage. Like most other online categories, we expect (and have witnessed to date) a natural shift in registration volume from offline to online. Mobile registrations should help shift from offline to online.

S&M and G&A leverage both come from an anticipated growth in revenue above headcount growth, as employees in the two groups are able to achieve scale efficiencies and become more productive. The sales staff becomes more efficient as it matures, and the members of G&A are able to make better use of time and serve more employees as a growing department allows for greater specialization of roles. In S&M, the risk that target margins are not achieved is mitigated by the fact that if the company needs to slow hiring in that department, employee mix will shift to more experienced, more productive members, supporting margins. The additional leverage in G&A from infrastructure and scale efficiencies will come eventually, even if revenue growth is slower than anticipated; the infrastructure investment has already been made, so the company will benefit from scale, even if it is delayed.

The greatest risk to achieving target leverage in R&D is delays in the single-platform initiative, which allows for end-of-lifeing some of the legacy software platforms from acquired companies. Additional M&A activity could also introduce more EOL technology expense which would compress margins.

### Loss of Large Contracts

The majority of ACTV's revenues are generated from customers that have entered into long-term contracts, with the standard contract length ranging from three to seven years. However, Active Network has multiple customers that operate under contracts that have terms of service less than three years, some of which actually renew on a yearly basis. If these customers decide not to renew with ACTV, which may not necessarily be a reflection on the Active service offering but rather due to the client's financial situation (especially in the case of state and municipal government contracts), ACTV could report financial results below expectations.

As of early 2011, Active Network operated registration services for fishing and hunting licenses in 23 states and provided reservation and management services for campgrounds in 32 states. In addition, ACTV works with many community organizations that fall under the jurisdiction of local and state agencies. These contracts are subject to an open bidding process and must be renewed every two years. A failure to re-win these contracts would negatively affect financial performance.

While the potential loss of customer contracts will always remain a risk for ACTV, we believe that the loss of multiple large organization contracts is unlikely. The typical ROI for an Active Network customer is 381%, so there is significant incentive for clients to remain with the company. ACTV's solutions help organizations increase their participants per event while simultaneously reducing costs, giving organizations increased dependency on ACTV and little reason to consider not renewing. An internal analysis conducted by ACTV in 2010, in which it analyzed 75% of its registration revenue, found that its registration churn in terms of revenue dollars was less than 5%.

### Complications from M&A Integration

Active Network is a roll-up of several services providers across the four vertical categories mentioned previously. M&A has been ACTV's primary method for entering new markets and sub-verticals. The company has completed 27 acquisitions since its inception. Increased M&A activity poses two potential risks for ACTV: 1) acquisitions could delay the margin expansion target time-line, which could cause reported EBITDA figures to be below market estimates; and 2) with any M&A, integration risk is always a concern.

## Company Overview

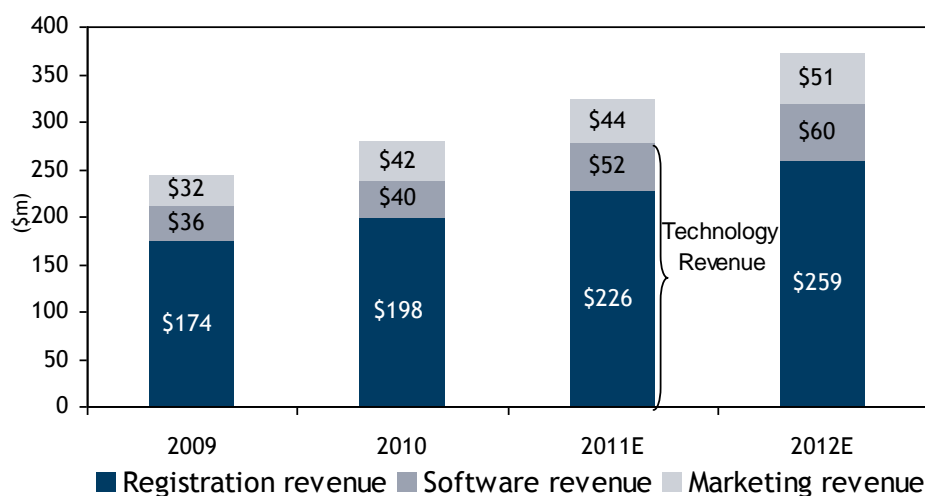
Active Network provides event registration software and services to community, sports, business and outdoor organizations. In addition to registration processing, Active Network's technology platform provides organizations with various marketing, operating and analytics tools which help their clients'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

## The Business Model

The company operates under two primary revenue lines: technology and marketing. Technology revenue consists of two areas:

1) Registration revenue: earned through the completion of registrations where ACTV earns a ~6.5% take rate on each registration fee; and 2) Software License revenue: via Active licensing software to certain organizations on a flat monthly fee. Marketing revenue includes several items, such as online advertising, marketing done at client events, and commerce revenue from ancillary items sold through Active Network's site.

Exhibit 14: Revenue by Segment



Source: Company reports, RBC Capital Markets estimates

The majority of company revenues consist of Registration revenue, which represented 71% of total company revenue in 2010; Software revenue represented 14% of total revenue; and Marketing made up the remaining 15%. We project Registration revenue to grow at 14% and 15% over each of the next two years, respectively, maintaining its approximate share of total revenue at 70% of total in 2012E. Software revenue is projected to outpace the other two lines in 2011, at 30% y/y growth, before decelerating to 15% in 2012E; marketing is projected to grow at only 4% in 2011, against a tougher comp, before reaccelerating to 17% in 2012E.

## Registration Revenue

Registration revenue is earned any time a registration is processed by Active Network on behalf of one of its customers (the organizations). A transaction fee is charged at a percentage take rate, which can vary based on a number of factors, including the event type and the services provided, as well as whether the registration was processed online or offline; within a particular contract, however, the offline and online take rates are often the same. The company's average take rate is approximately 6.5% excluding additional service fees. A summary of the components of Registration revenue and the influencing factors is displayed in Exhibit 15.

## Exhibit 15: Registration Revenue Components and Influencing Factors

	2009	2010	2011E	2012E
Registrations (mm)	65.46	70.18	75.44	83.53
Y/Y Growth		7.2%	7.5%	10.7%
Offline Registrations (mm)	42.1	41.9	42.6	46.1
Y/Y Growth		-0.3%	1.6%	8.2%
Online Registrations (mm)	23.4	28.3	32.9	37.5
Y/Y Growth		20.8%	16.3%	14.0%
% Online	35.8%	40.3%	43.6%	44.9%
Average Net Revenue per Registration	\$2.66	\$2.82	\$3.00	\$3.10
Net Registration Revenue (mm)	\$174.0	\$197.6	\$226.0	\$259.3
Y/Y Growth		13.5%	14.4%	14.7%

## Influencing factors:

Total registrations

- (+) Additional customers
- (+) Existing customers shift new events to ACTV
- (+) More registrants at existing events use ACTV system (often through shift to online)

Online penetration

- (+) Existing clients offering online option
- (+) Existing registrants shifting to online option
- (+) Increased use of mobile

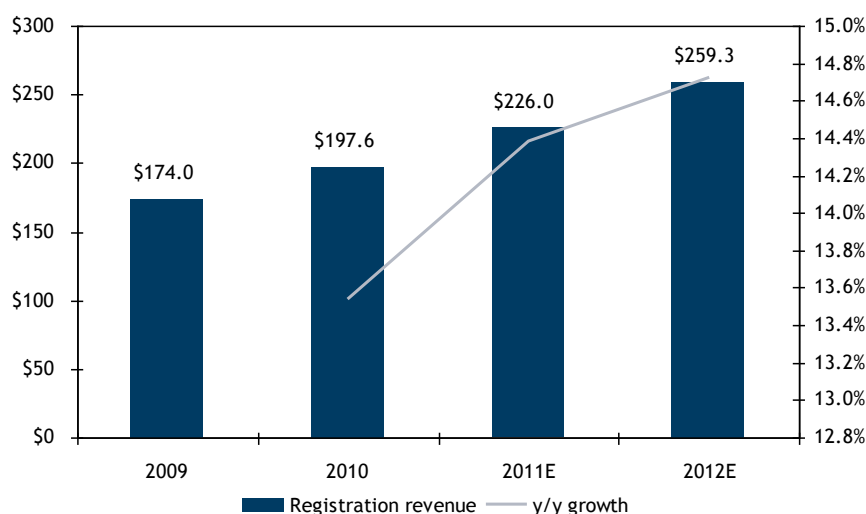
Revenue per registration

- (+) Increases in take rate from shift to online
- (+) Higher ASP registrations
- (+) Increase in take rate

Source: Company reports, RBC Capital Markets estimates

In 2010, Registration revenues of \$197.6 million were approximately 83% of technology revenues and 70% of total revenues, in line with 2009 levels. We project Registration revenues to grow 14.4% in 2011 and 14.7% in 2012, to \$259 million. Registration revenues will be driven by both the number of registrations completed through Active Network's technology, as well as from an increase in average revenue per registration. Registration volume growth is driven by: 1) Active winning more customers; 2) existing customers shift more of their events to Active; and 3) Active processing more registrations from existing clients for the same events (typically as event registrations shift from offline/in person to online via Active's software).

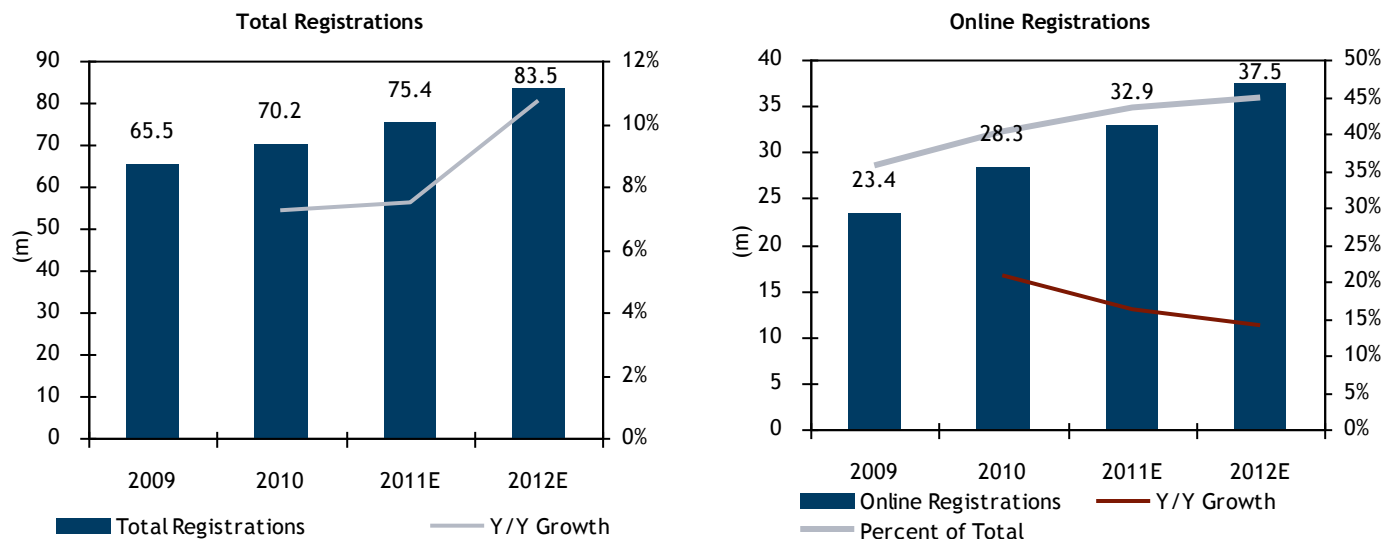
## Exhibit 16: Registration Revenue and Growth (Millions)



Source: Company reports, RBC Capital Markets estimates

Total registrations grew 7.2% in 2010, to 70.2 million, and we estimate registrations will grow 7.5% in 2011 and accelerate by 10.7% in 2012, as displayed in Exhibit 17. In 2010, ACTV processed 28.3 million online registrations, a 21% increase from 2009. We estimate that ACTV will increase online registrations by 16% and 14% in 2011 and 2012, respectively, bringing 2012 total online registrations to 37.5 million. In 2009, ~36% of registrations processed by ACTV were online, which increased to 40% in 2010; we estimate that online will continue to increase in share, accounting for 45% of processed transactions by 2012.

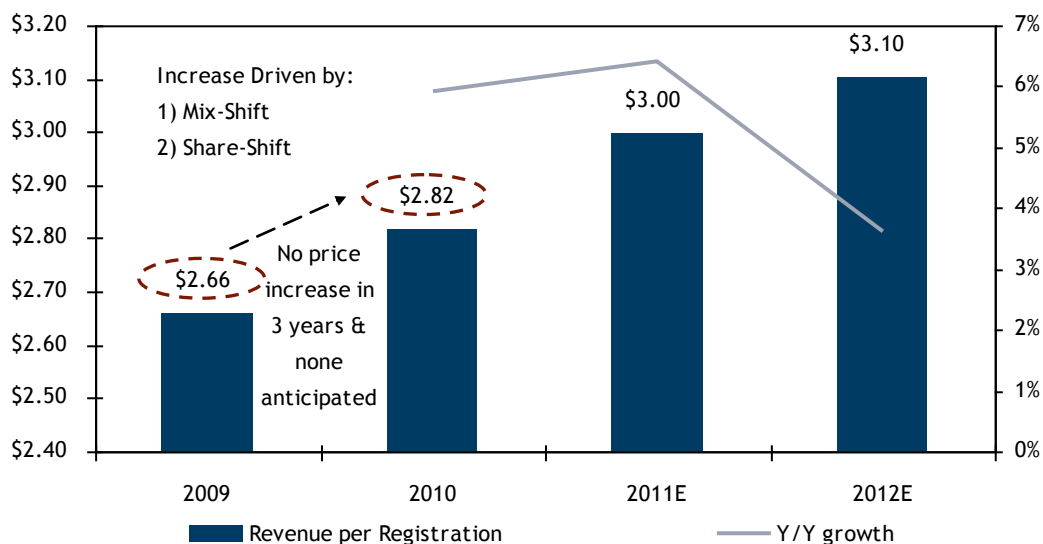
Exhibit 17: Total and Online Registrations



Source: Company reports, RBC Capital Markets estimates

In 2010, ACTV's revenue per registration was \$2.82, a 5.9% increase from 2009, as shown in Exhibit 18; we expect revenue per registration to continue to grow in 2011 and 2012. We estimate that revenue per registration will increase 6.4% and 3.6% in 2011 and 2012, respectively, implying revenue per registration of \$3.10 in 2012. It should be noted that Active Network has not increased its prices in three years, and our projections do not incorporate any price increase on the average ~6.5% take rate (excluding additional fees) through 2012.

Exhibit 18: Revenue per Registration



Source: Company reports, RBC Capital Markets estimates

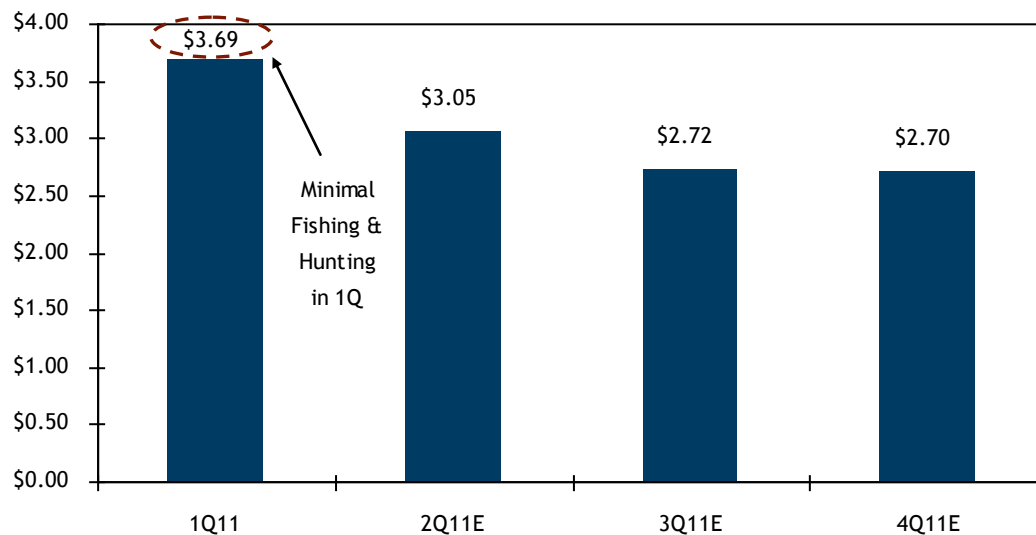
Higher revenue per registration can be achieved either through mix shift to higher ASP transactions, or from a higher take rate; we expect that Active Network will be able to take advantage of both of these trends in the coming years. The recent inclusion of campground bookings and hunting and fishing licenses through the acquisition of Reserve America and Outdoor Central introduced a large number of low ASP registrations. In all likelihood, future client additions will be for events of a higher ASP, which will naturally increase revenue per registration.

The transition from offline to online will further drive higher revenue per registration, in particular as it pertains to hunting and fishing licenses. Where take rates are typically the same for online and offline transactions, the license registrations acquired through Outdoor Central have an arrangement with offline retailers that can severely affect take rate. To register for a license, a user can go to a brick-and-mortar retailer, such as a bait & tackle shop or Walmart, and pay for and receive their license at the cashier. As the retailer is



performing a service, ACTV must pay a revenue share, which drives take rate down from the ~\$3 per registration earned online to around \$0.90 per license. Active Network currently processes more than 30 million hunting and fishing licenses per year, with only 9% of those booked online. As more of these users begin to register online, the significantly higher take rate will drive a higher revenue per registration.

**Exhibit 19: Seasonality of Revenue per Registration**



Source: Company reports, RBC Capital Markets estimates

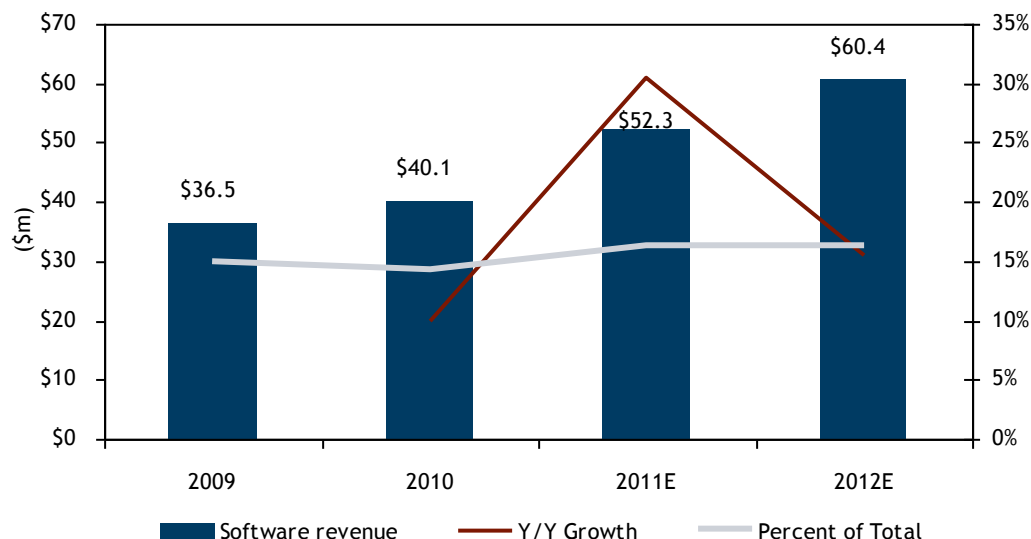
While we expect the average revenue per registration will grow in the low-to-mid single digits over the next few years, Exhibit 19 highlights the seasonality of registration revenues. In 1Q11 ACTV reported revenue per registration of \$3.69, well ahead of our full-year 2011 estimate of \$3.00, and we estimate that revenue per registration will decline to \$3.05, \$2.72, and \$2.70 in 2Q11, 3Q11, and 4Q11, respectively.

The sequential declines in revenue per registration are the result of mix shift, as fishing and hunting licenses and campground registration revenues are closer to ~\$1 per license/registration, and these activities make up the smallest percentage of total registrations in 1Q. Hunting and fishing and campground registrations as a percentage of total registrations increase throughout the year during the peak outdoor seasons. However, the seasonal affect of revenue per registration will become less extreme over time as growth in other segments should outpace growth in these lower revenue per registration verticals.

### Software Revenue

The second component of technology revenue comes from the licensing of ACTV software to organizations. In 2010, software revenues accounted for 17% of technology revenues and 14% of total revenues. Under the licensing model, customers pay a subscription fee to Active Network to use their software solution in-house, which includes many of the same marketing, operating and analytics tools that ACTV uses to manage events for customers. Revenue earned from licensed software would include customers that wish to use ACTV's proprietary registration software platform, such as the point-of-sale payment processing devices or marketing and analytics software tools, with the key differentiator being that the organization, not ACTV, is the one managing the payments and other software tools. Pricing for licenses may vary based on geography, event type, and the amount of services that organizations wish to access, but not based on volume (like Registration revenue).

Exhibit 20: Software Revenue



Source: Company reports, RBC Capital Markets estimates

In 2010, Software revenues were \$40.1 million, up 10% from 2009; we expect further growth in revenue of 30% in 2011 and 16% in 2012 to reach revenue of \$60 million. We expect software revenue as a percentage of total revenue to remain at ~15% over the next few years, in line with historical averages.

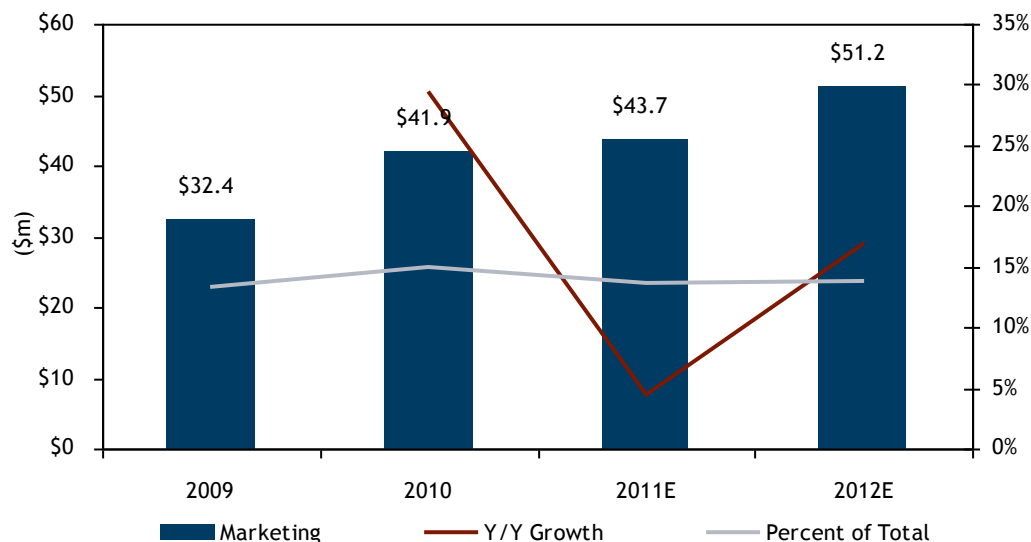
### Marketing Revenue

Active Network generates approximately 15% of its revenues from marketing-related services, which consist of revenues earned through three primary sub-segments: online marketing, field marketing, and commerce. Online marketing services include banner/display ads that appear on Active.com sites, button ads and newsletter and email marketing. Field marketing services include a wide range of event promotions and sponsorship which can take place at the customer's event or elsewhere. Commerce revenues include membership programs, training programs, websites, and other purchases made through Active.com websites.

Marketing revenue growth tends to be a little more volatile compared to the more predictable technology revenues, as they are more project based (in the case of field marketing revenue) or pageview based (in the case of display ads and commerce revenue).

In 2010, ACTV earned \$41.9 million in marketing revenue, up 29% from 2009. We estimate that marketing revenues will increase 4.4% in 2011 and 17% in 2012, bringing 2012 marketing revenues to \$51.2 million. The 29% year-over-year increase in 2010 was the result of high adoption rates within ACTV's commerce program, as well as growth in online media and promotions. The accelerated growth in 2010 (vs. +18% in 2009) created a difficult comp for 2011, which is why we are estimating more modest growth of 4.4%. Our 2012 estimate of \$60.4 million implies a year-over-year growth rate of 17%, which is in line with ACTV's three-year CAGR, from 2008 through 2012E, of 17%. In 2009, Marketing revenues accounted for ~13 % of total revenues, and while they did increase to 15% of total revenues in 2010, we expect them to fall back to the mid 13% range in 2011 and 2012.

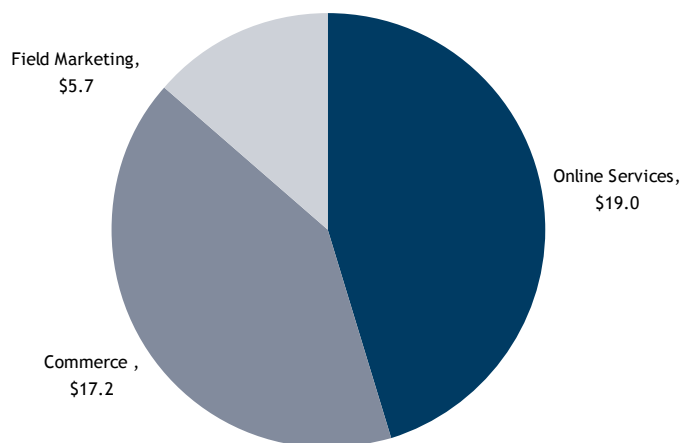
Exhibit 21: Active Network's Marketing Revenue Growth



Source: Company reports, RBC Capital Markets estimates

Exhibit 22 below displays the revenue contribution for the three marketing segments in 2010, although they are not typically broken out specifically by the company on an ongoing basis. Online Services accounted for approximately 45% of total marketing revenues, or \$19 million. Commerce revenues and Field Marketing revenues of \$17.2 million and \$5.7 million represented 41% and 14% of marketing revenues, respectively. The company does not expect the percentage that each segment represents of total marketing revenues to fluctuate meaningfully over the next few years.

Exhibit 22: Active Network's 2010 Marketing Revenue Breakdown (Millions)



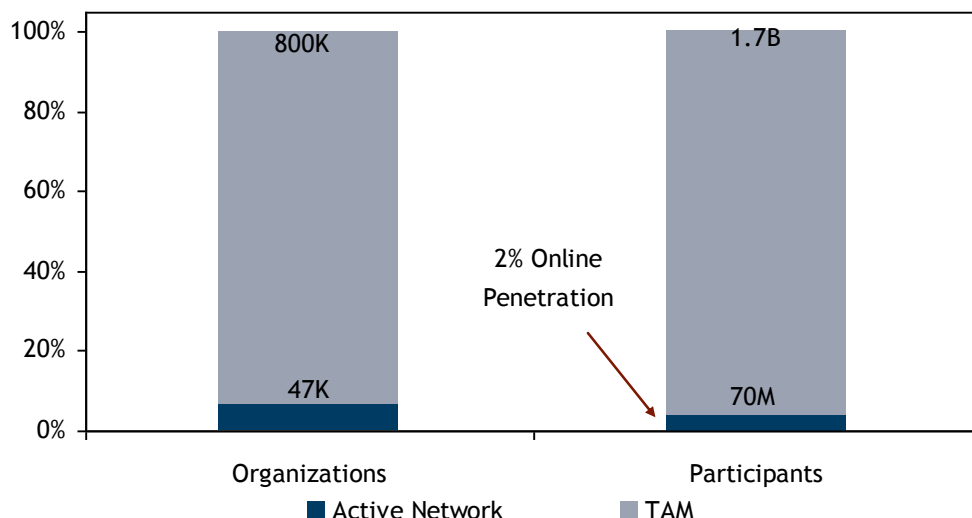
Source: Company reports

Online Services and Commerce revenues, which collectively represented 86% of marketing revenues in 2010, are highly dependent on online registrations and should continue to benefit as organizations shift from offline to online. Drivers for the segments also include peer sharing and SEO, which can drive traffic to Active Network's websites, and personalization, which can increase the engagement level of users.

### Active Network Competes in a Broad, Underpenetrated Space

Active Network offers services to a wide variety of organizations of different sizes, activities and budgets. ACTV works with 47,000 of the 800,000+ organizations that host events in North America, with over 40% of Active Network's processed registrations being conducted online. Active Network's share of the total registration market in North America was approximately 4% in 2010, with 70 million registrations of a total 1.7 billion.

Exhibit 23: Active Network's Target Organizations and Participants (North America)



Source: Company reports

Active Network categorizes its client organizations into four primary verticals: sports, community activities, outdoors, and business events. These verticals define a wide breadth of clients which the company can serve through specialized services customized to each segment. How some of these clients utilize Active Network's solutions are discussed briefly below.

### Active.com

Active Network's flagship site, active.com, is the leading online event registration destination on the web in terms of the number of registrations completed. Through active.com, users can register for local sport and recreational activities and rent facilities and event venues. In addition to registration services, users can access event information as well as interact with other users through the site's social networking community. Active.com has over 66,000 listings spanning 5,000 cities around the world and has more than 6.5 million monthly and daily newsletter subscribers.

Exhibit 24: Active.com

**Homepage**

The screenshot shows the Active.com homepage with a navigation bar, a search bar, and several featured sections including 'Active is 1,950 triathlon and multi-sport races', 'Get Active This Week', and 'Get Moving on July 4th'. There are also advertisements for AVEENO HYDROSPORT and a 'REPLAY' button.

**Activity Search**

The screenshot shows the Active.com Activity Search page. It displays a search bar, a list of activities, and a sidebar with filters for 'Refine Search' (Keyword, Sport Interest, In & Around, Within, Date). The main content area shows search results for 'Harvard Pilgrim 10K 2011' and 'Ridgefield's Independence Run 10K/5K'.

Source: Company websites

### Sports

Active Network's sport organization solutions assist customers with all event management needs. ACTV's event management software helps organizations manage sport leagues and tournaments, host triathlons and other endurance races as well as maintain golf, sport facility and camp registrations.

## Team Sports and Tournaments

Active Network's team sport and tournament offerings provide event management solutions for a wide range of sports across all age groups. ACTV currently has over 3 million registered teams and over 80 million monthly page views related to its sport offerings. Laxpower.com, one of ACTV's O&O sites, is the number one destination for high school sports fans in the U.S. with over 750,000 unique visitors annually. Eteamz.com, acquired by ACTV in 2000, is the primary online resource for many leagues, tournaments and ad-hoc sporting events. In addition to many O&O sport related sites, ACTV has partnerships with state and national sport organizations including Little League Baseball, USA Volleyball and the United States Tennis Association, among others.

Exhibit 25: Laxpower.com and Eteamz.com



Source: Company websites

## Endurance Race

The endurance vertical provides event management software for marathons, triathlons, swim meets and cycling. In 2010, ACTV managed over 100,000 events across 5,000 cities in the U.S. In the triathlon vertical, ACTV worked with 74% of organizers in North America, processing over 500,000 registrations which represented 45% of all triathlon registrations.

## Golf

Active Network's golf management solutions help public and private courses manage their tee time registrations. As of 1Q11, over 1,600 courses in North America relied on ACTV's solutions. Active Network's four dedicated golf sites, ActiveGolf.com, click4teetimes.com, freeGolfinfo.com and teetimeking.com, provide users with tee time registration services and general golfing information.

## Sport Facilities and Camps

Customer organizations that manage sport facilities such as ice rinks and playing fields rely on Active Network management solutions to manage facility scheduling as well as process user registrations.

## Community Activities

As part of community events, Active Network provides solutions to state and local government organizations, park and recreational centers, educational institutions, camp and retreat centers, churches and charity groups. Active Network provides services to over 100 state and local government organizations, 1,000 parks departments and community recreational centers, 600 schools and 2,000 camps across North America.

## Outdoors

Active Network's outdoors solutions include hunting and fishing licenses, outdoor facility registration, campground reservations, marina management, and resort administration. Active Network processes hunting and fishing licenses for 24 state departments and operates campground sites for 34 states which include over 4,000 state parks (combined representing 41 unique states). The company

currently processes more than 30 million hunting and fishing licenses and is now the largest campground registration processor through the acquisition of Reserve America.

### Business Events

Active Network also targets corporate and business activities such as conferences, recruiting events, conventions and other enterprise activities. Over 8,000 of 100,000 corporations in North America use Active Network for their event marketing, administration and operational needs.

### Exhibit 26: Active Network Sample Corporate Clients



Source: Company websites

### Active Network Services Offered

Active Network offers a variety of services for event management and administration through its proprietary ActiveWorks platform. ActiveWorks is a turnkey solution that assists organizers with registration, operation, marketing, and analytics. Active Network's collection of event management services help customers increase event participation, reduce duplicative cost, and eliminate the friction involved in the traditional event registration process. A brief description of the services offered by ACTV is provided here.

### Registration Services

Registration services allow the organizer to perform administrative tasks such as payment processing and ticketing, while also providing e-commerce and fundraising solutions.

As part of registration services, Active Network offers:

**Online Registration:** Collects and manages user registration data in a secure central database for processing and analytics.

**Payment Processing:** Handles payment collection, processing and reporting. This service integrates registration data with financial information in real time with transaction tracking and security.

**Point of Sale (POS):** Provides an on-location payment option for quick transactions, enabling relationship management tools and reports. The client can perform discounts, refunds and charges to the customer accounts from a hand-held device.

**Reservation and Ticketing:** Provides real-time integration of ticket sales, reservations and inventory management.

**Donation and Funding:** Supports fundraising and donation events by providing consultation and management services. This service can collect donations, auto-generate tax deductible receipts and forward customized thank-you notes.

**Merchandise:** Offers e-commerce solutions to clients by providing website integration, marketing, design and payment processing.

### Exhibit 27: Active Network's Registration Services Snapshots

#### Register: Catalog

Activity Name	Number	Age	Open	Fee/Reserve	Location
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park
Canoe/Cass	10000	9-15	F	Sun 1 PM Sat	Douglas Park

#### Register: Reservations and Ticketing

LAKE CALHOUN

MINNEAPOLIS PARK & RECREATION BOARD

Lake Calhoun Sailboat Bury Location Map

#### Register: Payment Processing

Check out

Processed information

Card type: Visa

Card number: 0000 0000 0000 0000

Expiration date: 01/01/01 - 12/31/01

Cardholder name: J. Doe

Cardholder address: 1234 Main St, Suite 100, Minneapolis, MN 55401

Cardholder phone: 612 555 1234

Cardholder email: j.doe@example.com

Cardholder state: MN

Cardholder city: Minneapolis

Cardholder zip: 55401

Cardholder tax: 0.00

Cardholder total: \$0.00

Source: Company reports



## Operations Services

Active Network's operations services offer various tools focused on event efficiency and optimization. These services allow the organizer to manage financial activities, subscriber information, customer service, resource allocations and staff data – basically everything necessary to improve the operations of an events organization.

As part of operations services, Active Network offers:

**Event and Activity Management:** Allows registration, scheduling and management of events.

**Financial Management:** Provides accounting and budgeting tools for financial reporting and analysis.

**Membership Management:** Arranges membership types based on client's customized categories and creates event passes (i.e., ID cards).

**Facility and Resource Management:** Allows real-time inventory and facility management, processing and reporting.

**Customer Relationship Management:** Gives access to the user's activities, transactions, and behavior.

**Volunteer and Staff Management:** Streamlines and manages staff recruitment, payment and timesheet processing.

**Call Center Services:** ACTV's 851 call center agents across its eight customer call centers provide organizations with a wide range of support and assistance services.

## Exhibit 28: Active Network's Operation Services Snapshots

Operation: Facility and Resource Management

The screenshot displays a web application interface for managing facilities and resources. It features a sidebar with navigation options like 'Home', 'Reports', 'Admin', 'Database', and 'Logout'. The main content area shows a table of resources with columns for 'Resource Name', 'Status', 'Type of Use', and 'Date'. A search bar and various filters are visible at the top of the table.

Operate: Financial Management

The screenshot shows a financial management dashboard for 'Summer 2011'. It includes a summary section with '8' registrations, '\$1,150.00' total raised, and '\$0.00' total cost. Below this is a table of sessions with columns for 'Session Name', 'Date', 'Status', 'Registrations', and 'Revenue'. The table lists several sessions, including 'Hill and Crafts Week 1' and 'Hill and Crafts Week 2', with their respective dates and financial details.

Source: Company reports

## Marketing Services

Active Network's marketing services provide various communication and marketing tools to organizations, while leveraging Active Network's subscriber and viewer base, social channels and partner websites. The following are key marketing tools:

**Email Marketing and Tracking:** Creates customized emails to members with special tools for the client such as conversion notification and statistics.

**Email Advertising:** Allows marketing through Active Network's large subscriber base using E-Newsletters and targeted emails.

**Social Media:** Provides marketing solutions through Active Network's social media channels such as Twitter and Facebook. With daily posts and updates on social media, Active Network attracts a large viewer and subscriber base, which clients can use to promote their events on Active Network's calendars.

**Event Syndication:** Gives clients access to users who rely on Active.com as a search/discovery tool for local events and activities. Active Network also has a number of well known affiliate and distribution partnerships that syndicate Active Network's directory.

**Website:** Provides tools for clients to create professional and marketable websites plus various tools such as Search Engine Optimization (SEO) and website analytics.



**Exhibit 29: Active Network's Syndication Site Partnerships**

afitplanet.com	livestrong.com	shape.com
aol.com	mapmyrun.com	southwest.com
boston.com	marriot.com	stateparks.net
ESPNW.com	mensfitness.com	trails.com
eventful.com	muscleandfitness.com	walkjogrun.net
examiner.com	nokia.com	yelp.com
golfink.com	runningintheusa.com	zvents.com

Source: Company reports

**Analytics Services**

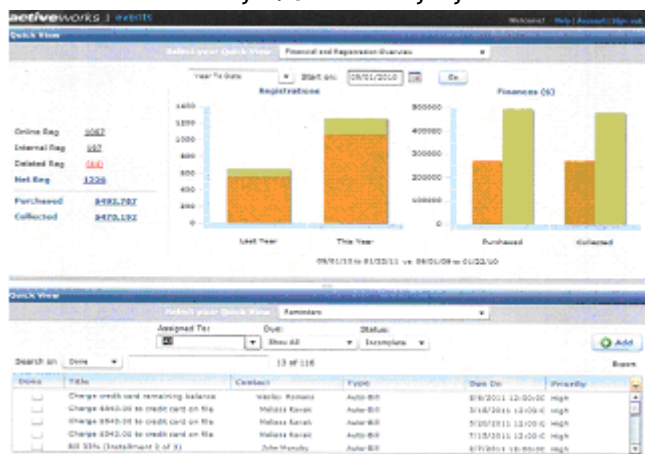
Active Network's analytics services provide various tools that assist clients with analysis and reporting of customer behavior, financial performance, staff and inventory information. These tools are:

**Reporting:** Allows clients to create standard or customized reports and charts for analysis.

**Customer Loyalty:** Provides the ability to monitor and attract customers' performance by following their retention behavior and providing promotional offers.

**Survey:** Gives clients the ability to create customized surveys for feedback and further analysis.

**Price Optimization:** Offers analytical tools that allow customer demand and price sensitivity prediction.

**Exhibit 30: Active Network's Analytics Services Snapshots****Analyze: Customer Loyalty****Analyze: Reporting**

The 'New report' form guides the user through three steps: 1) Select the type of report (Registration forms, Registration spreadsheet, Check-in roster, Billing statement), 2) Select a date range (All time period), and 3) Select a season and session (Season: extranights). A 'Max report' button is at the bottom right.

Source: Company website

**How ACTV Acquires Customers**

Active Network increases its revenue via three primary forms of customer acquisition: 1) winning new customers; 2) winning events at existing customers (that were previously not managed by ACTV); and 3) gaining share of registrations within existing events from offline (not via Active Network) to online (via Active Network's software).

Active Network's core value proposition to clients includes: 1) driving demand (and hence revenue to the event) – ACTV is able to bring new participants to its various clients' events through marketing activities across the Active participant network (people who have previously registered with ACTV); and 2) reducing cost of managing registrations via automation and services mentioned above.

**How ACTV Acquires Customers - Organizations**

The Active Network sales force is broken down into four primary roles: 1) enterprise account executives; 2) inside account executives; 3) self-service reps; and 4) account managers. Individuals are organized by customer group (e.g., sports, outdoors, etc.) and deployed by geography. Collectively, the sales force is responsible for driving organization growth (i.e., new client wins and new event wins within existing clients), whereas participation growth is driven by various marketing channels, as discussed below.

### Enterprise Account Executives

Enterprise Account Executives focus on leveraging state, government and corporate relations to drive new account opportunities. Each executive is responsible for managing a specific territory by developing relationships with senior members of organizations and leveraging those relationships into long-term business partnerships. At the beginning of 2011, Active Network had 42 executives in North America and eight executives in various international regions.

### Inside Account Executive

Inside Account Executives are contracted to drive new business by reaching out to prospective clients via email and phone. Each executive focuses on developing unique business opportunities for clients through various Active Network offerings. These executives are primarily commission-based employees that focus on middle tier clients. Active Network currently has 53 inside account executives stationed in North America and six international posts.

### Account Management

Account Management employees focus on managing customer accounts that have been brought in by enterprise and inside account executives. Account managers are responsible for retaining clients, as well as up-selling clients to additional Active services to make sure that they are utilizing the Active Network products that are relevant to their events and business operations. Active Network currently has 62 account managers in North America and four in international regions.

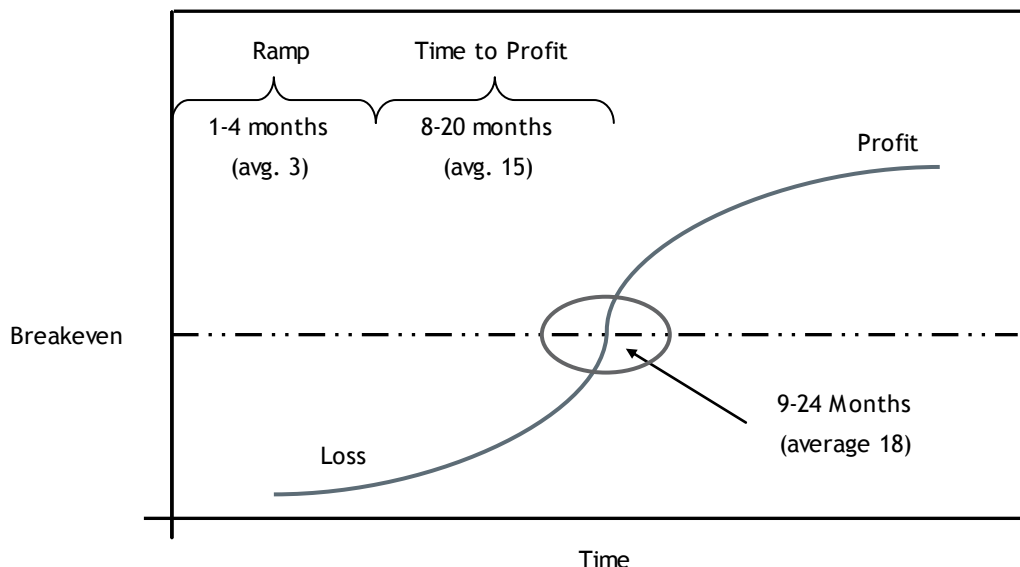
### Self-Service Representative

Self-Service Representatives are responsible for increasing Active Network's market share amongst small and regional clients. Active Network currently has 24 service reps in North America but none in international regions.

### Time to Profitability

There is a learning curve for any new sales rep as ACTV's solutions are more of a consultative sale versus other online services, and most represent a longer-term investment by the company before they begin to produce. The average sales representative reaches a breakeven point for Active Network after approximately 18 months. This includes a typical time to ramp up on client and industry knowledge of 1-4 months, and a further 8-20 months to land enough clients to achieve profitability. The average ramp time for a sales person is displayed in Exhibit 31.

Exhibit 31: Sales Person Performance Trajectory

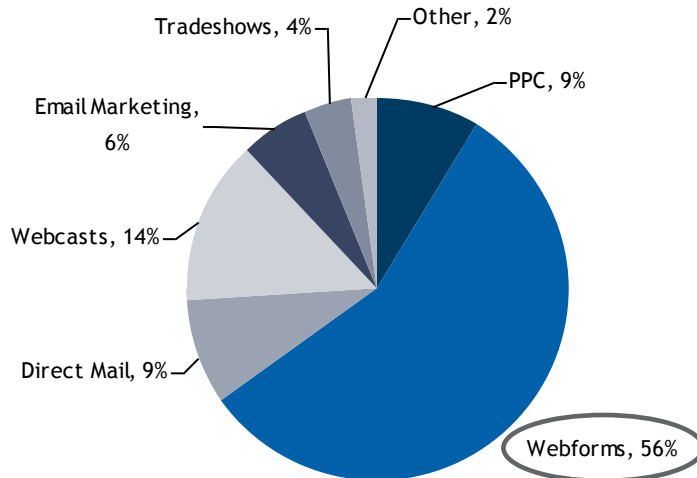


Source: Company reports

### Online Marketing to Organization

Active Network focuses the majority of its marketing effort to acquire new organizations around organic search, lead generation, paid search and other various channels, as illustrated below.

## Exhibit 32: Online Customer Acquisition - For Organizations



Source: Company reports

## Offline B2B Strategies

Active Network will continue to rely on in-person marketing initiatives to complement its online presence. The offline strategy is essential to attracting new customers, particularly large organizations that may not be aware of the growth, efficiencies or savings that can be realized through the Active Network platform. In 2011, management expects to attend 120 trade shows, over 100 event technology seminars, as well as launch Activation!, a 700-person corporate user conference.

## How ACTV Acquires Customers - Registrations/Participants

Active Network's ability to increase event participation is a major selling point for organizations. ACTV customers enjoy the cost savings and operational efficiencies realized through the ACTV platform, but for many customers, it is the incremental participation and the accompanying revenue increases that draw them to Active Network.

Active relies heavily on the organizations' own sites as well as its owned and operated sites to increase the number of participants that are registering for events. Approximately 60% of ACTV registrations are directed from the site of the organization that is hosting the event, with the remaining 40% of customer registrations navigating directly to Active Network's websites. This blended consumer acquisition strategy positions ACTV to leverage the brand of the organization hosting the event while also relying on its own loyal participant/registrant base.

Social media and partner websites are two important consumer marketing channels for ACTV. Active Network's Facebook fan page has hundreds of thousands of active users that visit daily to learn about upcoming events and other real time information. Active Network's O&O sites are also fully integrated with Facebook, which enables users to share information with their friends. ACTV has a significant Twitter presence, with many users relying on Twitter to help them raise money for charity as they enter races through ACTV. Active Network also relies on partner sites to acquire participants, some of which can be seen below in Exhibit 33.

## Exhibit 33: Partner Sites



Source: Company websites

Active Network partners with many sport organization sites including iHoops (above) and littleleague.org, among others. Users that click on the Active Network logo are redirected to Active Network's flagship site where they can learn about upcoming events. The state of Oregon uses Active Network to manage their campground sites, so when a user clicks on a specific campground they are directed to reserveamerica.com where they can book their reservation. Active Network powers shape.com and when users click to register for local events they are redirected to Active.com.

## Client Case Studies

Below we present three specific case studies of actual ACTV clients that have had success managing their event registrations via Active's solutions over a multi-year time period. While the first two cases demonstrate particularly strong results, Case 3 represents the average Active Network client organization, and shows that even the typical customer can experience a significant benefit from the relationship.

### Case 1: Celtic Solstice Five-Miler

The Celtic Solstice Five-Miler is a premier five-mile race held every December in Baltimore, Maryland. The event is organized by Baltimore Running, and the company has commissioned Active Network to manage registrations for the five-mile race every year since 2001. Active Network helped Baltimore Running increase revenues through increased participation and reduce costs through wage and supply cost cuts (detailed below). As a result, in 2010, Baltimore Running returned 712% on their Active Network investment for the single year. Baltimore Running management has stated that ACTV's technology, marketing, and consultative services have been an impetus behind the growth of the Celtic Solstice Five-Miler.

### Active Network Contribution

The five-mile race had 123 customers in 2000, the year before Baltimore Running hired Active Network to take over event management responsibilities. Since hiring Active Network in 2001, participation has increased to 2,999 runners, growing at a CAGR of 37.6% from 2000-2010. Additionally, total Celtic Solstice revenues increased from \$3,075 to \$146,951, a CAGR of 47.2%.

### Exhibit 34: Key Performance Metrics

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total registrations	123	274	417	697	832	949	1,521	1,918	2,213	2,750	2,999
Total fees paid to Active		\$311	\$750	\$1,365	\$1,986	\$2,606	\$4,834	\$7,261	\$8,767	\$10,276	\$13,008
Total Celtic Solstice revenue	\$1,476	\$6,850	\$10,842	\$20,910	\$25,792	\$31,317	\$48,672	\$74,802	\$86,504	\$101,613	\$146,951

Source: Company reports

Baltimore Running started realizing financial benefits within the first year of hiring Active Network; these benefits are shown in Exhibit 35. The Company experienced cost reductions related to wages and supplies of \$156, and Active Network added 115 participants, which accounted for 42% of all runners in 2001, with increased revenues of \$2,875. (Active Network defines added participants as participants that register for a given event through the Active Network platform.) Total costs paid to Active Network were \$311, implying a return on investment of 975% for Baltimore Running. In addition, the majority of the costs paid to Active Network by Baltimore Running were passed onto event participants.

### Exhibit 35: 2001 Active Network Benefits

<b>2001 Reduction in Costs</b>	<b>\$156</b>
Reduced Staff / Wage Cost	\$96
Reduced Supply Cost	\$60
<b>2001 Increase in Revenue</b>	<b>\$2,875</b>
Search and Find through Active.com	\$2,875 115 registrations
<b>2001 Cost of Active Network</b>	<b>\$311</b>

Source: Company reports

Even after nine years of using Active Network to manage the Celtic Solstice race, Active Network continues to provide significant benefits for Baltimore Running. Exhibit 36 highlights the cost reductions and revenue increases driven by Active Network's solutions in 2010.

**Exhibit 36: 2010 Active Network Benefits**

<b>2010 Reduction in Costs</b>	<b>\$578</b>
Reduced Staff / Wage Cost	\$368
Reduced Supply Cost	\$210
<b>2010 Increase in Revenue</b>	<b>\$92,050</b>
Active.com Email Newsletter	\$4,540 94 registrations
Social Marketing to Active.com Facebook Fans	\$2,365 49 registrations
Search and Find through Active.com	\$85,035 1761 registrations
Active.com Affiliate Partners	\$110 2 registrations
<b>2010 Cost of Active Network</b>	<b>\$13,008</b>

Source: Company reports

Active Network reduced 2010 race operating expenses by \$578, driven by wage and supply reductions. Through marketing and various race promotions, Active Network increased total registrations by 1906 participants. The majority of participants, 1761, learned about the race as they navigated through the Active Network site, while 94 registered after receiving a newsletter and 49 found out about the race through Active Network's social networking initiatives. The increase in runner participation increased Baltimore Running's race revenues by \$92,050, while costs paid to Active Network were only \$13,008. Based on the fee paid to Active Network, the associated cost reductions and revenue increases imply an ROI of 712%.

**Active Network Contribution**

Active Network eliminates event registration friction, which helps drive growth in total participants and revenues. The company fully integrates itself with the organization's site, and then brings customers to the Active Network site to provide users with information and other value-added services. Exhibit 37 shows the Baltimore Running homepage for the Celtic Solstice race. Users that choose to register for the event online click the online registration link and are directed to Active Network's Celtic Solstice homepage, as seen in Exhibit 37, as well.

**Exhibit 37: Celtic Solstice Online Registration Screenshots**

Source: Company websites

Once on the Active Network site, users can register for the event as well as purchase race jackets and other event souvenirs. In addition, users can read information about the race, learn best practices, watch videos, read reviews, and communicate with other participants.

**Case 2: Louisiana Department of Culture, Recreation & Tourism**

The Louisiana Department of Culture, Recreation & Tourism, similar to Baltimore Running, experienced immediate success once it transferred reservation/registration management over to the Active Network event management platform, but on a much larger scale. Active Network helped the Department save on administrative and accounting costs, introduced new cost-cutting initiatives, and provided valuable analytics to help improve organizational efficiencies for campground reservations.



**Exhibit 38: Louisiana Department of Culture, Recreation & Tourism**

	2008	2009	2010
Total fees paid to Active Network	\$63,645	\$189,966	\$461,099
Total reservations	\$65,656	\$76,129	\$75,447
Total organization revenue	\$5,831,901	\$6,499,594	\$7,225,829

Source: Company reports

With the help of Active Network, the Louisiana Department of Culture, Recreation & Tourism increased revenues from \$5.8 million in 2008 to \$7.2 million in 2010, a CAGR of ~11%, while fees paid only increased by ~\$400,000, to a total of \$461,000.

**Exhibit 39: Louisiana Department of Culture, Recreation & Tourism 2010 ROI**

<b>2010 Reduction in Costs</b>	<b>\$515,262</b>
Reduced Staff / Wage Cost	\$515,262
<b>2010 Increase in Revenue</b>	<b>\$954,994</b>
Search and Find through ReserveAmerica.com	\$948,812
Upsell during reservation process	\$6,182
<b>2010 Cost of Active Network</b>	<b>\$461,099</b>

Source: Company reports

The total economic benefit that the Louisiana Department of Culture, Recreation & Tourism received from the Active Network platform was approximately \$1.5 million versus the noted costs to Active Network of \$461,000, implying an ROI of 319%.

**M&A Is Core to Strategy**

Strategic acquisitions have been management's primary tool with which to enter new verticals and regions. The event registration industry is highly fragmented and localized, with many small companies highly focused on a small niche of loyal customers, which makes penetrating some of these organizations and accounts difficult. While Active Network has had some success in attracting new clients with its superior scale, technology and service offerings, it can remain a challenge to enter new verticals or to win clients away from current providers. Thus, Active Network has often grown through the roll-up of similar service providers, thereby gaining entry to a new base of customers or a previously un-penetrated market vertical.

Most event organizers are more focused on the operation of the event than on the functionality of their registration process. However, as the registration provider will likely interact with a majority of the organization's participants, the organizer will be very sensitive to any problems in the registration process; system reliability is of the utmost importance to gain the client's trust. Thus, once a functional system is in place, organizers are generally not inclined to switch providers, unless there is a highly compelling reason to do so. For this reason, acquiring the current provider might be the least expensive way to add new customers.

Entering a new vertical or geographical region can present an additional challenge, as Active Network may not have the reputation, expertise, or track record in the target community. Here, again, acquisition may be the most efficient vehicle for entry, as it immediately provides an established relationship and local expertise, which can be used to approach other, similar organizations.

An example of this approach is Active Network's recently acquired Fellowship Technologies, an online church management software provider that manages over 300,000 churches in North America. The acquisition immediately gave ACTV a meaningful presence in the faith-based vertical, an accomplishment that could have taken significantly longer had management attempted to grow organically.

**M&A History**

In the past 13 years, Active Network has undergone three mergers and 27 acquisitions which have provided the company with access to new customer bases across North America.

**Mergers**

Early in the company's history, it underwent several mergers with complementary businesses to build out the technological capability and breadth of offerings. In 1999, Active Network merged with Racegate.com, an event web portal and event management service provider, to form ActiveUSA.com as the largest recreational sports portal. In 2000, Active Network merged with Sierra Digital Inc. to provide online registration services to outdoor recreation enthusiasts. In 2001, the company merged with Myteam.com, a leading center for online team sports marketing and community. In addition, Leagelink and ActiveUSA (an Active Network subsidiary) merged in 2001.

## Large Acquisitions

### Class Software Solutions - October 2004

In October 2004, Active Network acquired Class Software Solutions for an undisclosed amount. This acquisition provided technology solutions and access to community service agencies that included local governments, park and recreation agencies, community centers, etc. Class Software Solutions, a Vancouver, British Columbia-based company, had 700 customers and \$12 million in annual revenue. This ACTV subsidiary has grown to generate \$33 million in revenue with 1,800 customers in 2010.

### RegOnline – January 2008

In January 2004, Active Network acquired RegOnline for \$47 million. RegOnline is an event management software provider and the largest service provider by revenues for corporate and independent organizations. RegOnline, a Colorado-based company, had a wide range of recognized corporations as customers such as Hitachi, Burger King, Sony and more.

### Outdoor Central – November 2008

In October 2004, Central Trust Bank's Conservation Licensing Division and Outdoor Central and its wholly owned subsidiary Outdoor Central was acquired by ACTV for an undisclosed amount. Outdoor Central processed hunting and fishing licenses for 24 state government agencies and after the acquisition, Active Network became the largest provider of hunting and fishing licensing technology in the U.S. by the number of licenses processed.

### Reserve America – January 2009

In January 2009, Active Network acquired IAC's Reserve America segment in a 3.5 million convertible preferred stock swap deal totalling \$50 million. Reserve America, a campground reservation provider, managed over 300,000 campgrounds in major North American National Parks. This acquisition positioned Active Network as the leading outdoor recreation technology provider by the number of registrations managed.

## Exhibit 40: Active Network Acquisition History

No.	Year	Company	Note
1	2000	eteamz	Leading online community for sports teams and leagues
2	2000	FogDog Sports	Online sporting good retailer
3	2004	Class Software Solutions	#1 provider of SW to Communities / Parks & Recreation
4	2004	Do it Sports, Inc.	Race and marathon event management company
5	2005	Tee Time King	Launch of ActiveGolf.com
6	2005	Vision Sports & Entertainment Partners	Youth sports promotion agency
7	2005	Public Enterprise Group	Municipal marketing and revenue-generation program developer
8	2006	Promote it!	The largest health club promoting agency
9	2006	IronPoint Technology, Inc.	Content management software solutions
10	2006	LeagueOne	Data management software for state soccer associations
11	2006	ProEnroll TM	Leading provider of online registration services
12	2006	SPORG	Payment processing systems solution provider
13	2006	Jencess Software & Technologies, Inc.	Leading provider in golf management software.
14	2007	InfoSperix	Public camp reservation agency
15	2007	LaxPwer.com	Leading online community for highschool and university Lacrosse fans
16	2007	Thrive LLC	Online registration and payment processing solution provider for campgrounds
17	2007	CoolRunning.com	Leading online resource for the running and racing community
18	2008	WingateWeb	Event management software
19	2008	RegOnline	#1 provider of Event management software
20	2008	HY-TEK Sports Software	Leading online service provider for swimming and track & field communities
21	2008	iPlayers, LLC	Online recruiting website for high school athletes
22	2008	Outdoor Central	State, natural resource and park agencies online solution provider
23	2008	Automated License System, Inc.	State, natural resource and park agencies online solution provider
24	2009	Reserve America	#1 Campground reservation system provider
25	2010	Channel:1 Corporation	Onsite event management software
26	2010	Clubspaces, Inc.	Youth and amateur sport association online technology and service provider
27	2011	Fellowship Technologies	Church management software provider

Source: Company reports, RBC Capital Markets



### Challenge of M&A Integration

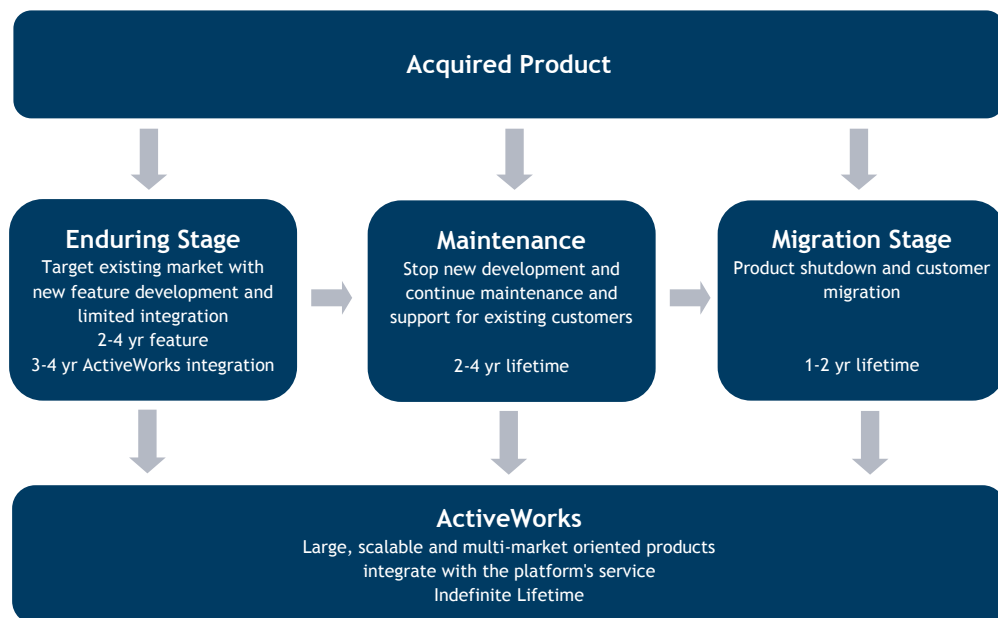
Although Active Network management has shown a knack for business combinations, the acquisition of new companies can pose a significant integration challenge. On top of the cultural and operational matters that arise in a typical acquisition, Active Network faces an additional challenge in the integration and assimilation of new technology platforms. As the company does not want to disrupt the customer's experience, the transition process is undertaken so as to be as seamless as possible to any user, an effort that can increase the overall expense base.

Active Network has embarked on a very significant initiative, started in 2008, to consolidate all its acquired systems and platforms onto one core singular software solution, referred to as ActiveWorks, that can be leveraged across any organization or event. When Active Network acquires a company with its own proprietary registration system, end-customers on that system can often not immediately be ported over to ACTV's core platform, as each vertical has nuances and services that are unique. As a result, the company must operate both the acquired and internal systems simultaneously and thus incur double the typical expense run rate for software maintenance in many cases. The ActiveWorks project aims to consolidate all acquired software platforms onto a single solution, thus eliminating the duplicative costs from running redundant systems in parallel.

Even with the ActiveWorks initiative in place, there will still be a transition period for acquired software platforms, which can be quite lengthy in some cases. Some integrations will be nearly immediate, where customer information and data processing can simply be migrated onto the ActiveWorks platform, whereas in other cases the acquired platform will still need to be operated independently for years before ACTV is able to shut it down completely.

Active Network views the integration of an acquired products and systems in three stages – the enduring stage, the maintenance stage, and the migration stage – during which time the acquired system is referred to as EOL (“End of Life”), as it is being phased out. Associated costs are thus also referred to as EOL expenses and are recognized in R&D on the income statement. As noted, depending on the level of complication associated with an acquired software product or system, it may fall into different stages of the integration process – i.e., some acquisitions will immediately migrate to the ActiveWorks platform, while others might spend nearly a decade in the EOL stage before all clients are transitioned to ACTV systems.

**Exhibit 41: Active Network's Acquired Product Integration Process**



Source: Company reports, RBC Capital Markets

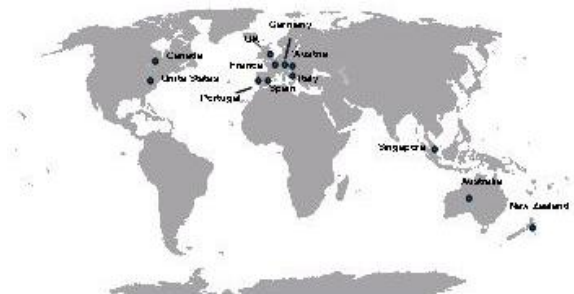
As displayed in Exhibit 41, the company is on various stages of development of the new ActiveWorks platform, and acquired systems are being transitioned over accordingly. In the Enduring stage, a two- to three-year process, the products and systems continue competing in the marketplace with new feature development and limited integration; the integration of ActiveWorks for appropriate companies also occurs during this phase, which can take 3-4 years. In the Maintenance stage, a two- to four-year process, Active Network will only provide service and maintenance to existing customers with no further feature development. Finally, in the Migration stage, a one- to two-year process, the legacy system will shut down and clients will be transferred to the main platform. As there are many nuances and variables to consider, it is also possible that certain systems move from any one of the three stages to the ActiveWorks completed integration.

In 2010, EOL expenses were \$22 million or ~8% of total revenues, compared to \$30 million or ~12% of total revenues in 2009. While we do not model EOL expenses separately, we expect they will increase by several million in 2011 due to recent additional M&A activity. In 2012 and beyond, ACTV expects to see a meaningful decrease in EOL expenses, and resulting leverage is an important component of the margin expansion thesis. However, further acquisitions could introduce new EOL systems which must be maintained, thus making target margins more difficult to achieve.

## International Overview

Active Network currently processes over 20 million event registrations annually across 38 countries and in 10 different currencies. As displayed in Exhibit 42, ACTV has 13 local dedicated websites across the world. In addition, Active Network has over 40 staff members across Europe and Australia as well as over 400 technology employees in China.

Exhibit 42: Core International Markets



Source: Company reports

Exhibit 43 below displays Active Network's homepages for Australia, France, and the U.K. The organization and the functionality of the three sites below, as well as all of the remaining international sites, are all comparable to Active Network's flagship U.S. site. Although Active Network will adjust sites to fit local language, cultural or regional trends, the foundations of the sites are relatively homogenous across the world. The international opportunity for Active Network is focused on leveraging its existing relationships, experience and platform for use in new markets.

Exhibit 43: International Screen Shots



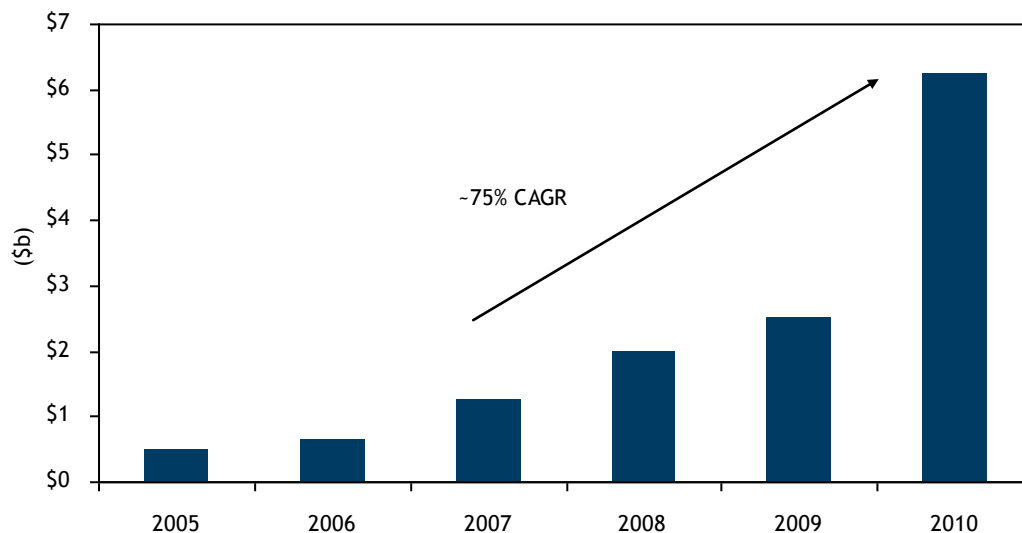
Source: Company reports

## International Opportunity

International expansion represents a significant growth opportunity for Active Network over the next 5-10 years. The company estimates that Europe's event registration TAM is approximately US\$10 billion, similar to the North American TAM. The Asian markets also represent a large opportunity, although it remains difficult to quantify. Combined, Active Network's total international opportunity is likely more than twice that of the domestic opportunity.

In 2005, ACTV generated less than \$1 million in international revenue. By 2007, international expansion became a significant point of emphasis for the management team, opening the Australian office that year and expanding into the U.K. one year later with its London office. Since 2005, ACTV has grown international revenues by a CAGR of ~75%, and in 2010, the company grew international revenues 152% year-over-year. Active Network has not engaged in any meaningful international M&A; therefore, effectively all of its international revenue growth has been achieved organically.

## Exhibit 44: International Revenues



Source: Company reports

Today, the company is primarily focused on expanding its operations in the U.K., France, Germany, Australia/New Zealand and Singapore. The company's decision to focus on these five regions is in line with consumer trends in those particular countries, where online, credit card, and smartphone penetration rates are similar to the U.S. and Canada, and therefore participants and organizations are likely ready to handle online registration formats. Although international revenues remain small on an absolute basis, growth should remain high for several years, enabling meaningful revenue contribution in the future.

## Initial Public Offering

On May 25, 2011, Active Network issued 11 million shares of common stock at \$15.90 per share. Of the 11 million shares offered, 8.2 million were primary shares and 2.8 million were secondary shares. Following the initial public offering there were approximately 53 million common shares outstanding, of which 27.8 million shares were held by officers, directors, and holders with positions equivalent to at least 10% of all shares outstanding. Exhibit 45 below displays the top 11 holders of ACTV stock based on documents filed on May 24, 2011.

## Exhibit 45: Top Holders of ACTV

Holder Name	Shares	Percent of Outstanding
Locked shares	15,495,604	29.3%
Institution 1	7,738,220	14.6%
Institution 2	5,561,671	10.5%
Institution 3	4,600,052	8.7%
Institution 4	4,172,481	7.9%
Matt Ehrlichman	2,058,789	3.9%
Institution 5	535,300	1.0%
Matthew Landa	400,000	0.8%
Institution 6	242,383	0.5%
James Woodman	205,354	0.4%
David Alberga	184,199	0.3%

Source: Bloomberg

## Valuation & Price Target

### Estimates Snapshot

Exhibit 46: 2Q11, FY2011 and FY2012 Estimates (\$ in millions, except for per share amounts)

	<u>2Q11E</u>	<u>FY2011E</u>	<u>FY2012E</u>
Technology revenue	\$83.5	\$278.3	\$319.7
Marketing revenue	\$11.1	\$43.7	\$51.2
<b>Net revenue</b>	<b>\$94.6</b>	<b>\$322.0</b>	<b>\$370.9</b>
<b>Gross Profit</b>	<b>\$57.0</b>	<b>\$185.4</b>	<b>\$219.9</b>
Gross Profit Margin	60.2%	57.6%	59.3%
Operating Income	\$5.6	(\$14.2)	\$8.0
Operating Margin	5.9%	-4.4%	2.2%
<b>Adjusted EBITDA</b>	<b>\$17.2</b>	<b>\$33.1</b>	<b>\$51.0</b>
Reported Net Income	\$3.9	(\$19.2)	\$71.3
<b>Adjusted Earnings per Share</b>	<b>\$0.09</b>	<b>(\$0.35)</b>	<b>\$0.08</b>

Source: Company reports, RBC Capital Markets estimates

## Valuation & Price Target

We value ACTV using a blended approach on our 2012 estimates using 15x EV/EBITDA, a 3% FCF yield and 3.5x sales. 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.

### Exhibit 47: Valuation & Price Target Derivation

(\$ in millions, except per share amounts)

Current Price	\$17.60
Diluted Shares Outstanding	53.0
Current Market Cap	933
Less: Cash and Cash Equivalents	154.4
Plus: Debt	0.0
Adjusted Enterprise Value	778.4

<u>EV to EBITDA</u>	<u>2012E</u>
Adjusted EBITDA	51.0
Current EV/EBITDA Multiple	15.2x
<b>Target Multiple</b>	<b>15.0x</b>
Enterprise Value	765.7
Plus: YE Cash	229.7
Less: YE Debt	0.0
Equity Market Capitalization	995.4
FY End Projected Sharecount	53.9
Implied Stock Price on Forward EBITDA	<b>\$18</b>

<u>FCF Yield</u>	<u>2012E</u>
FCF per Share	\$0.56
Current FCF Yield	3.2%
<b>Target Yield</b>	<b>3.0%</b>
Implied Stock Price on Forward FCF	<b>\$19</b>

<u>EV to Revenue</u>	<u>2012E</u>
Revenue	370.9
Current EV / Revenue Multiple	2.1x
<b>Target Multiple</b>	<b>3.5x</b>
Enterprise Value	1298.0
Plus: YE Cash	229.7
Less: YE Debt	0.0
Equity Market Capitalization	1527.7
FY End Projected Sharecount	53.9
Implied Stock Price on Forward EBITDA	<b>\$28</b>

<b>Average</b>	<b>\$22</b>
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Priced as of market close June 30, 2011.

Source: Company reports, RBC Capital Markets estimates

## Senior Management

### David Alberga - Chairman and Chief Executive Officer

Mr. Alberga has been the chairman of Active Network since February 2011 and CEO since 1999, having also served as president from 1999 to 2002. Mr. Alberga previously served as CEO of CitySearch's City Guide, and in senior management positions at Linear Technology Corporation, Silicon Valley Technology (SVT), Boston Consulting Group (BCG), and Proctor & Gamble Company. Mr. Alberga holds an MBA from Stanford University and a BS in General Engineering from the United States Military Academy at West Point.

### Matthew Landa - President

Mr. Landa has been the president of Active Network since 2002 and a member of the board of directors since 2005. He oversees all of the operations including strategy, sales, professional services, technology and financial execution. Mr. Landa also served as CEO and president of CMC Industries from 1995 to 1999. He holds an MBA from Stanford University and a BS from Dartmouth College.

### Scott Mendel - Chief Financial Officer

Mr. Mendel has been CFO at Active Network since March 2010. He has over 20 years of senior management experience in General Electric (GE) including CFO of GE's Healthcare IT division for two years. Mr. Mendel holds an MBA from Northwestern University's Kellogg School of Management, and a BS in Finance from Indiana University.

### Matt Ehrlichman - Chief Strategy Officer

Mr. Ehrlichman has been the chief strategy officer of Active Network since February 2011, having previously served as Executive Vice President and Vice President, Strategy. He was also the co-founder and CEO of Thriva, LLC, which was acquired by Active Network in 2007. Mr. Ehrlichman holds a BS in Entrepreneurial Engineering and MS in Management Science and Engineering from Stanford University.

### Jon Belmonte - Chief Media Officer

Mr. Belmonte has been the chief media officer of Active Network since February 2011 and prior to that time served as the chief operating officer. Mr. Belmonte was also the co-founder and vice president of strategy and business development of LeagueLink, which merged with Active Network in 2000. He also worked as a strategy consultant for Boston Consulting Group. Mr. Belmonte holds a BSE from the University of Pennsylvania's Wharton School of Business and an MBA from Northwestern University's Kellogg School of Management.

### Alex Barnettson - Executive Vice President of Sales & Senior General Manager

Mr. Barnettson has been the executive vice president of sales since 2009 and prior to that, served as the senior vice president of community services. Prior to his career at Active Network, Mr. Barnettson served as president and chief operating officer of Class Software Solutions before it was acquired by Active Network. He holds a BS from Simon Fraser University in Kinesiology.

## 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)

		2009A					2010A					2011E					2012E				
FY Dec	2008A	Mar A 1QA	Jun A 2QA	Sep A 3QA	Dec A 4QA	2009A	Mar A 1QA	Jun A 2QA	Sep A 3QA	Dec A 4QA	2010A	Mar A 1QA	Jun E 2QE	Sep E 3QE	Dec E 4QE	2011E	Mar E 1QE	Jun E 2QE	Sep E 3QE	Dec E 4QE	2012E
Technology revenue	145.8	44.4	64.2	58.1	43.7	210.5	54.9	71.2	62.4	49.2	237.7	63.1	83.5	74.4	57.3	278.3	71.1	95.7	87.3	65.6	319.7
Marketing revenue	27.4	6.4	7.7	7.6	10.7	32.4	8.3	10.5	10.7	12.4	41.9	9.6	11.1	11.1	12.0	43.7	11.2	12.9	12.9	14.0	51.2
<b>Net revenue</b>	<b>173.2</b>	<b>50.8</b>	<b>71.9</b>	<b>65.8</b>	<b>54.4</b>	<b>242.9</b>	<b>63.2</b>	<b>81.7</b>	<b>73.1</b>	<b>61.6</b>	<b>279.6</b>	<b>72.7</b>	<b>94.6</b>	<b>85.5</b>	<b>69.3</b>	<b>322.0</b>	<b>82.3</b>	<b>108.7</b>	<b>100.3</b>	<b>79.6</b>	<b>370.9</b>
Cost of Revenues																					
Technology	74.3	23.4	29.2	26.7	23.7	103.0	27.0	32.3	29.3	26.4	115.0	33.0	36.2	33.1	29.0	131.3	35.8	39.8	37.2	32.0	144.8
Marketing	5.4	0.8	1.0	1.1	1.1	4.1	1.0	1.7	1.8	1.6	6.2	1.2	1.4	1.4	1.4	5.4	1.3	1.6	1.6	1.6	6.2
Total Cost of Revenues	79.7	24.2	30.2	27.8	24.8	107.1	28.0	34.0	31.1	28.1	121.2	34.1	37.6	34.5	30.4	136.6	37.1	41.4	38.8	33.6	150.9
<b>Gross Profit</b>	<b>93.5</b>	<b>26.6</b>	<b>41.7</b>	<b>37.9</b>	<b>29.6</b>	<b>135.8</b>	<b>35.2</b>	<b>47.6</b>	<b>42.0</b>	<b>33.5</b>	<b>158.4</b>	<b>38.6</b>	<b>57.0</b>	<b>51.0</b>	<b>38.9</b>	<b>185.4</b>	<b>45.1</b>	<b>67.3</b>	<b>61.5</b>	<b>46.0</b>	<b>219.9</b>
Operating Expenses:																					
Sales & Marketing	48.4	13.2	12.7	11.9	12.0	49.8	14.5	15.0	14.9	14.1	58.5	16.8	17.9	17.8	16.8	69.2	18.3	19.7	20.0	18.6	76.6
Research & Development	31.7	14.1	14.6	14.1	15.4	58.2	14.9	16.2	15.0	14.8	60.9	16.1	18.0	18.3	16.9	69.2	17.2	19.3	20.2	18.5	75.2
General & Administrative	29.0	6.5	7.3	7.5	8.4	29.7	9.8	10.4	8.9	8.8	38.0	10.2	10.9	10.9	11.1	43.1	11.6	12.6	12.9	12.9	49.9
Amortization of Intangibles	13.8	4.3	4.7	4.7	4.8	18.5	4.0	4.1	4.0	4.0	16.1	3.7	3.8	3.7	3.7	14.9	1.9	1.3	1.6	2.1	6.8
Stock Based Compensation	14.5	1.4	3.4	5.0	1.4	11.2	1.8	1.4	1.3	0.8	5.3	0.7	0.8	0.8	0.8	3.1	0.8	0.8	0.9	0.8	3.4
Total Operating Expenses	137.5	39.5	42.8	43.1	42.0	167.4	45.1	47.1	44.2	42.5	178.9	47.4	51.3	51.5	49.3	199.6	49.7	53.7	55.6	52.9	211.9
Operating Income	(43.9)	(12.9)	(1.1)	(5.2)	(12.4)	(31.6)	(9.9)	0.6	(2.2)	(8.9)	(20.5)	(8.8)	5.6	(0.5)	(10.5)	(14.2)	(4.6)	13.6	5.9	(6.9)	8.0
Depreciation & Amortization	7.9	2.5	2.7	3.0	4.4	12.6	3.9	4.6	5.0	5.8	19.2	5.2	5.8	6.2	6.6	23.8	5.9	8.7	7.8	5.9	28.3
Stock Based Compensation	14.5	1.4	3.4	5.0	1.4	11.2	1.8	1.4	1.3	0.8	5.3	0.7	0.8	0.8	0.8	3.1	0.8	0.8	0.9	0.8	3.4
<b>Adjusted EBITDA</b>	<b>(1.0)</b>	<b>(3.5)</b>	<b>11.1</b>	<b>8.7</b>	<b>(0.6)</b>	<b>15.7</b>	<b>1.1</b>	<b>11.8</b>	<b>9.3</b>	<b>2.9</b>	<b>25.1</b>	<b>2.6</b>	<b>17.2</b>	<b>11.5</b>	<b>1.8</b>	<b>33.1</b>	<b>5.0</b>	<b>25.9</b>	<b>17.4</b>	<b>2.7</b>	<b>51.0</b>
Interest income	1.7	0.1	0.1	0.0	(0.0)	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.8
Interest expense	(5.0)	(1.4)	(1.3)	(1.2)	(1.3)	(5.2)	(1.3)	(1.5)	(1.3)	(1.3)	(5.4)	(1.3)	(1.1)	0.0	0.0	(2.3)	0.0	0.0	0.0	0.0	0.0
Other (expense) income, net	(0.3)	0.7	0.4	(0.3)	0.4	1.2	(0.4)	(0.2)	0.8	0.3	0.5	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Pretax Income	(47.5)	(13.5)	(1.9)	(6.6)	(13.4)	(35.4)	(11.6)	(1.1)	(2.8)	(9.9)	(25.3)	(10.2)	4.6	(0.4)	(10.4)	(16.3)	(4.4)	13.8	6.1	(6.6)	8.8
Income Tax Expense (benefit)	1.5	0.6	0.8	0.3	0.7	2.4	0.9	0.9	1.1	(0.8)	1.9	0.8	0.7	0.7	0.7	2.9	1.7	1.7	(67.6)	1.7	(62.5)
Reported Net Income	(49.0)	(14.2)	(2.7)	(6.9)	(14.1)	(37.9)	(12.4)	(1.9)	(3.8)	(9.1)	(27.3)	(10.9)	3.9	(1.1)	(11.1)	(19.2)	(6.1)	12.1	73.7	(8.3)	71.3
Diluted Earnings per Share																					
Pro forma Earnings per Share												(\$0.25)	\$0.08	(\$0.02)	(\$0.21)	(\$0.39)	(\$0.11)	\$0.22	\$1.37	(\$0.15)	\$1.33
<b>Adjusted Earnings per Share</b>												<b>(\$0.24)</b>	<b>\$0.09</b>	<b>(\$0.01)</b>	<b>(\$0.20)</b>	<b>(\$0.35)</b>	<b>(\$0.10)</b>	<b>\$0.23</b>	<b>\$0.09</b>	<b>(\$0.14)</b>	<b>\$0.08</b>
Pro forma Shares Outstanding												43.1	47.9	53.0	53.5	49.4	53.6	53.7	53.8	53.9	53.8
Margin Analysis																					
Gross Profit Margin	54.0%	52.4%	58.0%	57.7%	54.4%	55.9%	55.7%	58.3%	57.5%	54.4%	56.6%	53.1%	60.2%	59.7%	56.1%	57.6%	54.9%	61.9%	61.3%	57.8%	59.3%
Sales & Marketing as % of Net Revenue	27.9%	26.1%	17.6%	18.1%	22.0%	20.5%	23.0%	18.3%	20.4%	22.9%	20.9%	23.0%	18.9%	20.8%	24.2%	21.5%	22.2%	18.1%	20.0%	23.4%	20.7%
Research & Development as % of Net Revenue	18.3%	27.7%	20.3%	21.4%	28.3%	23.9%	23.6%	19.8%	20.6%	23.9%	21.8%	22.1%	19.0%	21.4%	24.4%	21.5%	20.9%	17.8%	20.2%	23.2%	20.3%
General & Administrative as % of Net Revenue	16.8%	12.7%	10.2%	11.4%	15.5%	12.2%	15.5%	12.8%	12.2%	14.3%	13.6%	14.0%	11.5%	12.8%	16.1%	13.4%	14.0%	11.6%	12.8%	16.2%	13.4%
Amortization as % of Net Revenue	8.0%	8.5%	6.6%	7.1%	8.8%	7.6%	6.4%	5.0%	5.5%	6.5%	5.8%	5.1%	4.0%	4.4%	5.4%	4.6%	2.3%	1.2%	1.6%	2.6%	1.8%
Total Operating Expenses as % of Net Revenue	79.4%	77.7%	59.5%	65.6%	77.2%	68.9%	71.3%	57.6%	60.5%	69.0%	64.0%	65.2%	54.3%	60.2%	71.3%	62.0%	60.4%	49.5%	55.4%	66.4%	57.1%
Operating Margin	-25.4%	-25.3%	-1.5%	-7.9%	-22.9%	-13.0%	-15.6%	0.7%	-3.1%	-14.5%	-7.3%	-12.2%	5.9%	-0.6%	-15.1%	-4.4%	-5.5%	12.5%	5.9%	-8.6%	2.2%
Adjusted EBITDA Margin	-0.6%	-7.0%	15.5%	13.3%	-1.1%	6.5%	1.7%	14.5%	12.8%	4.6%	9.0%	3.5%	18.1%	13.4%	2.7%	10.3%	6.0%	23.8%	17.4%	3.4%	13.8%
Incremental EBITDA Margin						24.0%	37.4%	7.4%	8.0%	47.4%	25.5%	15.7%	41.1%	17.4%	-13.4%	18.7%	24.9%	62.1%	40.2%	8.7%	36.8%
Effective Tax Rate	-3.2%	-4.6%	-43.4%	-4.2%	-5.3%	-6.9%	-7.4%	-78.5%	-38.4%	8.5%	-7.6%	-7.8%	15.1%	-183.5%	-6.7%	-17.7%	-38.9%	12.4%	-112.8%	-25.6%	-707.9%
Reported Net Income	-28.3%	-27.9%	-3.8%	-10.5%	-25.9%	-15.6%	-19.6%	-2.4%	-5.2%	-14.8%	-9.8%	-15.0%	4.1%	-1.3%	-16.0%	-6.0%	-7.4%	11.1%	73.5%	-10.5%	19.2%
Year Over Year Growth																					
Technology	NA	NA	NA	NA	NA	44.4%	23.6%	10.9%	7.3%	12.6%	12.9%	14.9%	17.4%	19.2%	16.4%	17.1%	12.6%	14.6%	17.4%	14.5%	14.9%
Marketing	NA	NA	NA	NA	NA	18.2%	29.5%	36.3%	40.2%	16.5%	29.4%	15.9%	5.5%	3.5%	-3.5%	4.4%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Revenue	NA	NA	NA	NA	NA	40.2%	24.3%	13.6%	11.1%	13.3%	15.1%	15.0%	15.8%	16.9%	12.4%	15.2%	13.2%	14.9%	17.3%	15.0%	15.2%
Cost of Revenues	NA	NA	NA	NA	NA	34.4%	15.8%	12.7%	11.7%	13.2%	13.6%	21.8%	10.5%	10.9%	8.3%	12.7%	8.8%	9.9%	12.6%	10.5%	10.4%
Gross Profit	NA	NA	NA	NA	NA	45.2%	32.1%	14.2%	10.7%	13.5%	16.6%	9.6%	19.6%	21.4%	15.8%	17.1%	17.0%	18.2%	20.5%	18.4%	18.6%
Operating Income	NA	NA	NA	NA	NA	-28.1%	-23.2%	-153.0%	-56.8%	-28.0%	-35.0%	-10.5%	895.2%	-78.2%	17.3%	-30.8%	-48.5%	141.4%	-1300.0%	-34.4%	-156.6%
Adjusted EBITDA	NA	NA	NA	NA	NA	-171.7%	-130.6%	6.5%	6.7%	-600.7%	59.5%	137.1%	44.9%	23.1%	-35.7%	31.6%	92.8%	51.0%	51.7%	49.1%	54.4%
Reported Net Income	NA	NA	NA	NA	NA	-22.7%	-12.5%	-28.3%	-44.4%	-35.4%	-28.0%	-11.8%	-302.3%	-71.8%	22.0%	-29.6%	-44.5%	207.3%	-6911.9%	-24.9%	-471.6%
Pro Forma Diluted Earnings per Share	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-55.3%	174.0%	-6810.9%	-25.5%	-441.4%
Adjusted Earnings per Share	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-57.3%	153.9%	-978.3%	-27.1%	-122.6%
Other Metrics																					
Peer Defined Free Cash Flow		(6.3)	8.0	5.6	(3.7)	3.5	29.7	(3.3)	(4.9)	(9.9)	11.7	31.6	(5.3)	2.2	(15.4)	13.1	3.2	22.7	11.4	(14.3)	23.0
Free Cash Flow per Share							\$0.72	(\$0.08)	(\$0.12)	(\$0.24)	\$0.28	\$0.73	(\$0.11)	\$0.04	(\$0.29)	\$0.38	\$0.06	\$0.42	\$0.21	(\$0.27)	\$0.43
Company Defined Free Cash Flow		(3.6)	13.1	12.3	(0.5)	21.3	33.8	0.0	(2.5)	(9.5)	21.8	34.8	(3.8)	2.0	(14.1)	18.9	5.0	24.5	13.3	(12.6)	30.3
Free Cash Flow per Share							\$0.81	\$0.00	(\$0.06)	(\$0.23)	\$0.53	\$0.81	(\$0.08)	\$0.04	(\$0.26)	\$0.50	\$0.09	\$0.46	\$0.25	(\$0.23)	\$0.56

Source: Company reports and RBC Capital Markets estimates

## Required Disclosures

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