

UBS Investment Research

The Active Network, Inc.

Quick Take: Good Qtr with Solid Execution

■ Q4 Beat Driven by Technology

Small-cap UBS Key Call ACTV reported Q4 results at the higher end of guidance for Rev and Adj EBITDA (ex StarCite acquisition impact). Total rev grew 23% Y/Y to \$76.0MM vs. our \$74.9MM and cons \$74.4MM. Adj EBITDA (ex StarCite acquisition) came at \$2.3MM vs. our / cons \$2.4MM (\$400K incl StarCite severance impact). GAAP EPS came at (\$0.16) above our (\$0.23) and cons (\$0.22). Technology rev was up 33% Y/Y to \$65.5MM and Marketing Services rev was down 15% Y/Y to \$10.6MM.

■ Healthy Trends in Registrations

Registrations in Q4 increased 13% Y/Y to 17.3MM bringing Net Registration revenue to \$46.4MM on 4.6% Y/Y increase in Average Revenue per Registration. For 2011, registrations grew 14% to 80.3MM with Revenue per Registration at \$2.85; 51,300 organizations utilized ACTV technology solutions, up 8% Y/Y.

■ Guidance

For 1Q12, ACTV expects total rev b/n \$89MM and \$93MM (\$91MM at midpoint), above cons \$87.9MM. Adj EBITDA is expected to be b/n neg \$5MM and neg \$3MM (neg \$4MM at midpoint), below cons \$5.2MM, but including a \$5MM impact from StarCite acquisition. For FY12, ACTV expects total rev b/n \$425MM and \$435MM (\$430MM at midpoint), above cons \$409MM. Adj EBITDA is expected to be \$46MM-\$50MM (\$48MM at midpoint), a bit below cons \$51MM.

■ Valuation

Our \$22 PT is based on a 10-year DCF (11.5% WACC and 4.5% LTGR).

Highlights (US\$)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	242,884	279,600	336,292	427,550	506,953
EBIT (UBS)	(20,333)	(15,167)	(6,086)	(6,957)	26,945
Net Income (UBS)	(63,633)	(55,429)	(28,004)	(22,554)	9,360
EPS (UBS, US\$)	(10.86)	(7.83)	(0.44)	(0.35)	0.14
Net DPS (UBS, US\$)	0.00	0.00	0.00	0.00	0.00
Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	-	-5.4	-1.8	-1.6	5.3
ROIC (EBIT) %	-	(6.8)	(3.0)	(3.4)	14.2
EV/EBITDA (core) x	-	-	20.5	15.2	8.5
PE (UBS) x	-	-	NM	NM	NM
Net dividend yield %	-	-	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E): based on a share price of US\$15.51 on 23 Feb 2012 14:12 EST

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Global Equity Research

Americas

Internet Services

12-month rating **Buy**
Unchanged

12m price target **US\$22.00**
Unchanged

Price **US\$15.51**

RIC: ACTV.N BBG: ACTV US

23 February 2012

Trading data

52-wk range	US\$19.41-12.43
Market cap.	US\$0.84bn
Shares o/s	54.2m (COM)
Free float	54%
Avg. daily volume ('000)	82
Avg. daily value (m)	US\$1.1

Balance sheet data 12/11E

Shareholders' equity	US\$0.32bn
P/BV (UBS)	2.6x
Net Cash (debt)	US\$0.12bn

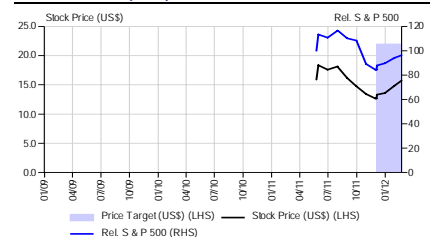
Forecast returns

Forecast price appreciation	+41.8%
Forecast dividend yield	0.0%
Forecast stock return	+41.8%
Market return assumption	5.3%
Forecast excess return	+36.5%

EPS (UBS, US\$)

	12/11E		12/10
	From	To	Cons. Actual
Q1	-	(2.13)	- (2.97)
Q2	-	0.03	0.10 (1.26)
Q3E	-	(0.03)	(0.03) (1.51)
Q4E	-	(0.23)	(0.22) (2.29)
12/11E	-	(0.44)	(0.47)
12/12E	-	(0.35)	(0.06)

Performance (US\$)



Source: UBS

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This report has been prepared by UBS Securities LLC

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

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Table 1: ACTV E vs. A (\$000s)

	Q4 11E	Q4 11A
Technology Revenue	\$63,627	\$65,478
Marketing Services Revenue	\$11,319	\$10,567
Total Net Revenue	\$74,947	\$76,045
% Y/Y Growth	22%	23%
% Q/Q Growth	(16%)	(15%)
Cost of Technology Revenue	33,086	34,976
Cost of Marketing Services Revenue	1,596	1,711
Total Cost of Net Revenue	34,613	36,626
% Y/Y Growth	23%	30%
% Q/Q Growth	(13%)	(8%)
Gross Profit	\$40,334	\$39,419
% Margin	53.8%	51.8%
Sales and Marketing	17,802	16,743
Research and Development	18,106	16,293
General and Administrative	10,044	14,193
Amortization of Intangibles	3,494	3,872
Stock Based Compensation	3,208	3,013
Adjusted Operating Income	(\$9,112)	(\$11,847)
% Margin	(12%)	(16%)
% Y/Y Growth	--	--
% Q/Q Growth	(685)	(860)
EBITDA	\$2,446	\$356
% Margin	3.3%	0.5%
% Y/Y Growth	(15)	(88)
% Q/Q Growth	(81)	(97)
Net Interest (Income) and Other (Income)	1,099	186
Adjusted Pre-Tax Profit / (Loss)	(\$10,210)	(\$12,033)
% Effective Tax Rate	(9%)	84%
Provision / (Benefit) for Income Taxes	919	(6,564)
Tax Adjustments for Non-GAAP Items	0	(3,553)
Minority Interest	0	0
Operating Net Income / (Loss)	(\$11,129)	(\$1,884)
% Margin	(15%)	(2%)
% Y/Y Growth	--	--
% Q/Q Growth	(454)	(160)
Accretion of redeemable convertible preferred	0	0
Tax Effect of Non-GAAP Entries	0	3,553
Reported GAAP Net Income / (Loss)	(\$14,337)	(\$8,482)
% Margin	(19%)	(11%)
% Y/Y Growth	--	--
% Q/Q Growth	--	--
Weighted Avg. Diluted Shares Outstanding	63,622	54,109
Operating EPS	(\$0.17)	(\$0.03)
% Y/Y Growth	--	--
% Q/Q Growth	(450)	(170)
Reported GAAP EPS	(\$0.23)	(\$0.16)
% Y/Y Growth	--	--
% Q/Q Growth	--	--
Expenses as % of Net Revenue		
Sales and Marketing	23.8%	22.0%
Research and Development	24.2%	21.4%
General and Administrative	13.4%	18.7%
Stock Compensation	4.3%	4.0%
Amortization of Intangibles	4.7%	5.1%

Source: Company reports, UBS estimates

The Active Network, Inc.

Income statement (US\$ k)	-	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Revenues	-	-	-	242,884	279,600	336,292	20.3	427,550	27.1	506,953	18.6
Operating expenses (ex depn)	-	-	-	(227,138)	(254,480)	(298,166)	17.2	(379,902)	27.4	(424,598)	11.8
EBITDA (UBS)	-	-	-	15,746	25,120	38,126	51.8	47,648	25.0	82,355	72.8
Depreciation	-	-	-	(36,079)	(40,287)	(44,212)	9.7	(54,605)	23.5	(55,410)	1.5
Operating income (EBIT, UBS)	-	-	-	(20,333)	(15,167)	(6,086)	-59.9	(6,957)	14.3	26,945	-
Other income & associates	-	-	-	0	0	0	-	0	-	0	-
Net interest	-	-	-	(3,847)	(4,833)	(3,698)	-23.5	(2,840)	-23.2	(2,611)	-8.0
Abnormal items (pre-tax)	-	-	-	0	0	0	-	0	-	0	-
Profit before tax	-	-	-	(24,180)	(20,000)	(9,783)	-51.1	(9,796)	0.1	24,334	-
Tax	-	-	-	(2,439)	3,951	1,817	-54.0	(3,364)	-	(5,110)	51.9
Profit after tax	-	-	-	(26,619)	(16,049)	(7,966)	-50.4	(13,160)	65.2	19,224	-
Abnormal items (post-tax)	-	-	-	0	0	0	-	0	-	0	-
Minorities / pref dividends	-	-	-	0	0	0	-	0	-	0	-
Net income (local GAAP)	-	-	-	(26,619)	(16,049)	(7,966)	-50.4	(13,160)	65.2	19,224	-
Net Income (UBS)	-	-	-	(63,633)	(55,429)	(28,004)	-49.5	(22,554)	-19.5	9,360	-
Tax rate (%)	-	-	-	0	0	0	-	0	-	21	-
Pre-abnormal tax rate (%)	-	-	-	0	0	0	-	0	-	21	-
Per share (US\$)	-	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
EPS (local GAAP)	-	-	-	(4.54)	(2.27)	(0.12)	-94.5	(0.20)	62.2	0.29	-
EPS (UBS)	-	-	-	(10.86)	(7.83)	(0.44)	-94.4	(0.35)	-20.9	0.14	-
Net DPS	-	-	-	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	-	-	-	(4.70)	(2.14)	0.30	-	0.59	94.8	1.16	98.6
BVPS	-	-	-	4.21	3.89	5.89	51.2	5.77	-2.1	5.95	3.1
Balance sheet (US\$ k)	-	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Cash and equivalents	-	-	-	26,381	31,441	125,843	300.3	118,804	-5.6	170,191	43.3
Other current assets	-	-	-	31,229	38,277	51,180	33.7	67,113	31.1	77,581	15.6
Total current assets	-	-	-	57,610	69,718	177,023	153.9	185,916	5.0	247,772	33.3
Net tangible fixed assets	-	-	-	26,742	28,181	26,104	-7.4	53,685	105.7	51,064	-4.9
Net intangible fixed assets	-	-	-	290,268	285,334	287,755	0.8	300,833	4.5	282,006	-6.3
Investments / other assets	-	0	0	7,251	7,315	7,628	4.3	8,016	5.1	8,385	4.6
Total assets	-	-	-	381,871	390,548	498,510	27.6	548,449	10.0	589,227	7.4
Trade payables & other ST liabilities	-	-	-	101,155	131,073	152,407	16.3	197,761	29.8	226,028	14.3
Short term debt	-	-	-	131	1,630	2,246	37.8	2,834	26.2	3,030	6.9
Total current liabilities	-	-	-	101,286	132,703	154,653	16.5	200,595	29.7	229,058	14.2
Long term debt	-	-	-	41,402	33,553	6,597	-80.3	7,815	18.5	8,628	10.4
Other long term liabilities	-	-	-	16,318	17,960	19,556	8.9	19,556	0.0	19,556	0.0
Total liabilities	-	-	-	159,006	184,216	180,806	-1.9	227,966	26.1	257,242	12.8
Equity & minority interests	-	-	-	222,865	206,332	317,704	54.0	320,483	0.9	331,985	3.6
Total liabilities & equity	-	-	-	381,871	390,548	498,510	27.6	548,449	10.0	589,227	7.4
Cash flow (US\$ k)	-	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Net income	-	-	-	(26,619)	(16,049)	(7,966)	-50.4	(13,160)	65.2	19,224	-
Depreciation	-	-	-	36,079	40,287	44,212	9.7	54,605	23.5	55,410	1.5
Net change in working capital	-	-	-	18,137	21,461	25,160	17.2	30,839	22.6	18,438	-40.2
Other (operating)	-	-	-	11,184	6,539	9,262	41.6	11,161	20.5	12,006	7.6
Net cash from operations	-	-	-	38,781	52,238	70,668	35.3	83,445	18.1	105,078	25.9
Capital expenditure	-	-	-	(10,449)	(14,767)	(12,439)	-15.8	(18,350)	47.5	(23,827)	29.8
Net (acquisitions) / disposals	-	-	-	0	0	0	-	0	-	0	-
Other changes in investments	-	-	-	(15,519)	(17,958)	(22,232)	-	(76,913)	-	(10,136)	-
Cash from investing activities	-	-	-	(25,968)	(32,725)	(34,671)	5.9	(95,263)	174.8	(33,963)	-64.3
Increase/(decrease) in debt	-	-	-	0	0	0	-	0	-	0	-
Share issues / (repurchases)	-	-	-	(8,514)	(4,349)	71,242	-	14,173	-	(9,864)	-
Dividends paid	-	-	-	0	0	0	-	0	-	0	-
Other cash from financing	-	-	-	0	0	0	-	0	-	0	-
Cash from financing activities	-	-	-	(8,514)	(4,349)	71,242	-	14,173	-80.1	(9,864)	-
Cash flow chge in cash & equivalents	-	-	-	4,299	15,164	107,240	-	2,355	-	61,251	-
FX / non cash items	-	-	-	-	(10,104)	(12,838)	-	(9,394)	-	(9,864)	-2.9
Bal sheet chge in cash & equivalents	-	-	-	-	5,060	94,402	-	(7,039)	-	51,387	-
Core EBITDA	-	-	-	15,746	25,120	38,126	51.8	47,648	25.0	82,355	72.8
Maintenance capital expenditure	-	-	-	(10,449)	(14,767)	(12,439)	-15.8	(18,350)	47.5	(23,827)	29.8
Maintenance net working capital	-	-	-	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	-	-	5,297	10,353	25,687	148.1	29,298	14.1	58,528	99.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Note: For some companies, the data represents an extract of the full company accounts.

Global Equity Research

Americas

Internet Services

12-month rating

Buy

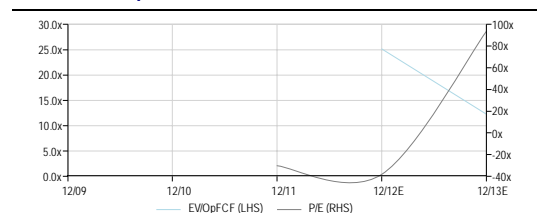
12m price target

US\$22.00

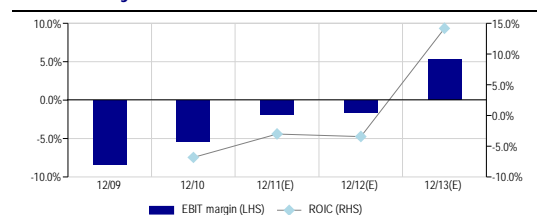
Company profile

Active Network is the leading provider of organization-based cloud computing applications. The company provides technology and marketing solutions for event organizers, community organizations, and consumer brands. Active Network serves a wide range of customers, including community and sports organizations, large corporations, small and medium-sized businesses, educational institutions, government agencies, non-profit organizations, and other similar entities.

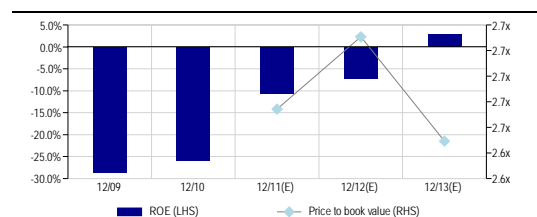
Value (EV/OpFCF & P/E)



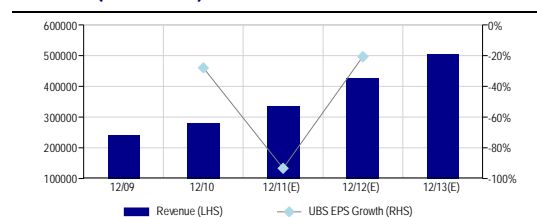
Profitability



ROE v Price to book value



Growth (UBS EPS)



The Active Network, Inc.

Valuation (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
P/E (local GAAP)	-	-	-	NM	NM	52.7
P/E (UBS)	-	-	-	NM	NM	NM
P/CEPS	-	-	-	51.6	26.5	13.3
Net dividend yield (%)	-	-	-	0.0	0.0	0.0
P/BV	-	-	-	2.6	2.7	2.6
EV/revenue (core)	-	-	-	2.3	1.7	1.4
EV/EBITDA (core)	-	-	-	20.5	15.2	8.5
EV/EBIT (core)	-	-	-	NM	NM	26.1
EV/OpFCF (core)	-	-	-	NM	24.7	12.0
EV/op. invested capital	-	-	-	3.9	3.6	3.7

Enterprise value (US\$)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	-	-	840,642	840,642	840,642
+ minority interests	0	0	0	0	0
+ average net debt (cash)	15,152	9,447	(56,629)	(112,577)	(133,344)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(2,251)	(2,315)	(2,628)	(3,016)	(3,385)
Core enterprise value	-	-	781,385	725,049	703,913

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	-	-	15.1	20.3	27.1	18.6
EBITDA (UBS)	-	-	59.5	51.8	25.0	72.8
EBIT (UBS)	-	-	-25.4	-59.9	14.3	-
EPS (UBS)	-	-	-27.9	-93.4	-20.7	-
Cash EPS	-	-	-54.5	-	94.8	98.6
Net DPS	-	-	-	-	-	-
BVPS	-	-	-7.4	51.2	-2.1	3.1

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	-	6.5	9.0	11.3	11.1	16.2
EBIT / revenue	-	-8.4	-5.4	-1.8	-1.6	5.3
Net profit (UBS) / revenue	-	NM	NM	NM	NM	1.8

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	-	-	NM	NM	NM	14.2
ROIC post tax	-	-	NM	NM	NM	11.2
Net ROE	-	(28.6)	(25.8)	(10.7)	(7.1)	2.9

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	-	-	-	-	-	10.3
Dividend cover (UBS EPS)	-	-	-	-	-	-
Div. payout ratio (% UBS EPS)	-	-	-	-	-	-
Net debt / EBITDA	-	1.0	0.1	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue / op. invested capital	-	-	1.3	1.7	2.1	2.7
Revenue / fixed assets	-	-	0.9	1.1	1.3	1.5
Revenue / net working capital	-	-	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
OpFCF / EBIT	-	NM	NM	NM	NM	2.2
Capex / revenue (%)	-	4.3	5.3	3.7	4.3	4.7
Capex / depreciation	-	0.3	0.4	0.3	0.3	0.4

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	-	6.8	1.8	(36.8)	(33.7)	(47.8)
Net debt / (net debt + equity)	-	6.4	1.8	(58.3)	(50.9)	(91.4)
Net debt (core) / EV	-	-	-	(7.2)	(15.5)	(18.9)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$15.51 on 23 Feb 2012 14:12 EST Market cap(E) may include forecast share issues/buybacks.

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■ The Active Network, Inc.

Active Network is the leading provider of organization-based cloud computing applications. The company provides technology and marketing solutions for event organizers, community organizations, and consumer brands. Active Network serves a wide range of customers, including community and sports organizations, large corporations, small and medium-sized businesses, educational institutions, government agencies, non-profit organizations, and other similar entities.

■ Statement of Risk

Risks include 1) integration of recent acquisitions and impact on margins, 2) new business model and limited history of profitability, 3) difficulty attracting new customers and transitioning existing customers to ActiveWorks. Additional concerns include the failure to compete successfully against current or future competitors, failure to comply with data privacy laws and regulations, and inability to expand business outside North America. The company's failure to expand customers' use of its applications and to increase the percentage of participants who register through its website are two additional risks.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	57%	36%
Neutral	Hold/Neutral	37%	35%
Sell	Sell	7%	17%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	12%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities LLC: Brian Pitz; Brian Fitzgerald; Brent Thill.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
The Active Network, Inc. ¹⁶	ACTV.N	Buy	N/A	US\$15.75	22 Feb 2012

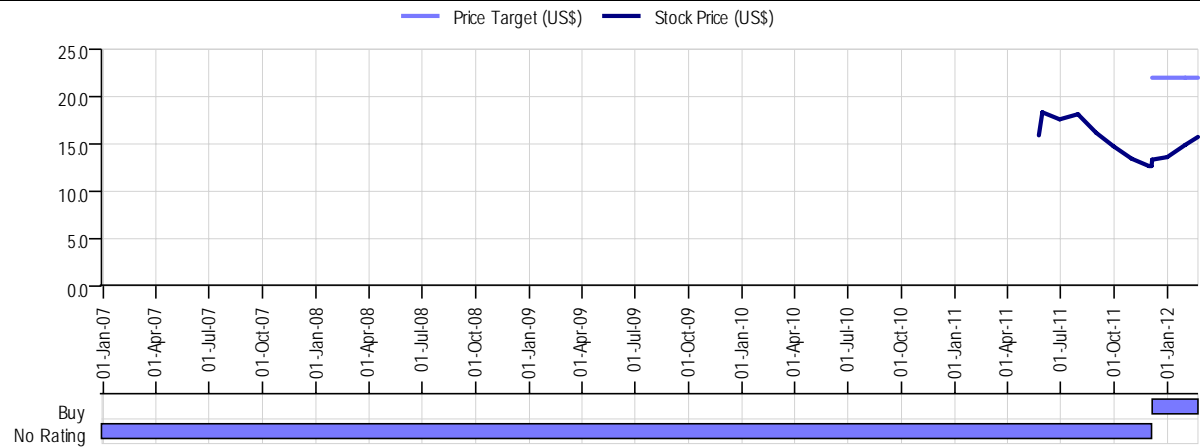
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

The Active Network, Inc. (US\$)



Source: UBS; as of 22 Feb 2012

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