



The Active Network, Inc.
Buy

ACTV: \$13.27
Price Target: \$18.00

Application Software

ACTV: Going Deep and Wide With Starcite

THINK ACTION:

We like the potential synergies of the Starcite acquisition and believe the acquisition will ultimately accelerate the company's organic growth and add scale to the business, while driving demand for the business segment. We've known Starcite for years and consider it a market leader in SaaS-based meetings management with solid IP. We think ACTV will likely benefit from eliminating a top competitor, and gain substantial cross-selling opportunities since Starcite's solutions provide end-to-end meetings management capabilities while The Active Network's are mostly geared toward attendee registration. We reiterate our BUY rating as we believe the overall business is tracking as planned.

KEY POINTS:

Last Friday, The Active Network held an investor call to discuss the recent acquisition of Starcite. Below are deal metrics and our viewpoint:

Deal Terms Are at a Reasonable Valuation, in our view

- The Active Network acquired Starcite for ~\$58M (\$40M in cash/ 1.35M shares).
- On a 2012 pro forma basis, Starcite was estimated to generate ~\$47M in revenue and \$6M in EBITDA.
- **Reasonable 2012 Transaction Multiples:** ~1.2x EV/Rev's and ~9.7x EV/EBITDA compared to ACTV's multiples of ~1.9x and ~13x, respectively.

Key Positives of the Starcite Acquisition

- Our field checks suggest Starcite's business had reaccelerated over the past couple of quarters with ~20% increase in the number of 2011 RFPs.
- Significantly expands ACTV's market opportunity in the business segment.
- Gives ACTV more scale with additional revenue; expands the subscription revenue base.
- Broadens the application suite in the meetings management market.
- Significantly enhances the company's competitive advantage as The Active Network is the SaaS vendor that is closest to offering a unified meetings management suite for the Enterprise, in our opinion.
- Eliminates a meaningful competitor and the possibility of another vendor acquiring this technology.
- Accelerates The Active Network's penetration into the meetings management market by adding Starcite's customer base.
- Creates numerous cross-selling opportunities for ACTV products into Starcite's customer base and selling Starcite's products into The Active Network customers.

Potential Risks of the Starcite Acquisition

- This is the largest acquisition since its IPO for The Active Network which by nature will carry risks.
- ACTV could lose focus on its other three core operating segments in favor of, what we view as, the faster growing business segment.
- Starcite had many customers that are subscription based and thus The Active Network will need to come up with a strategy to successfully migrate Starcite's customers over to ACTV's mostly transaction-based model.

Please see analyst certification (Reg. AC) and other important disclosures on pages 5-6 of this report.

Brian Schwartz

415-249-1982, bschwartz@thinkequity.com

Changes	Current	Previous
Rating	Buy	--
Price Target	\$18.00	--
FY11E REV (M)	\$334.3E	--
FY12E REV (M)	\$424.7E	\$388.5E
FY11E EPS	(\$0.05)E	--
FY12E EPS	\$0.13E	\$0.15E

52-Week High:	\$19.99
52-Week Low:	\$12.30
Shares O/S-Diluted (M):	62.8
Market Cap (M):	\$833.4
Average Daily Volume:	223,529
Short Interest:	2.0%
Debt/Total Cap:	0.0%
Net Cash Per Share:	\$2.20
P/E (12-month forward):	NA
Est. Long-Term EPS Growth:	35.0%
P/E/G:	NM
Fiscal Year-End:	Dec

REV (M) \$	2010A	2011E	2012E
Mar	63.2A	72.7A	90.4E
Jun	81.7A	99.0A	121.8E
Sep	73.1A	89.6A	115.7E
Dec	61.6A	73.0E	96.7E
FY	279.6A	334.3E	424.7E

FY P/S	3.0x	2.5x	2.0x
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EPS \$	2010A	2011E	2012E
Mar	(0.19)A	(0.12)A	(0.07)E
Jun	0.05A	0.18A	0.20E
Sep	0.01A	0.05A	0.10E
Dec	(0.12)A	(0.16)E	(0.08)E
FY	(0.25)A	(0.05)E	0.13E

FY P/E	NM	NM	102.1x
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EPS is Non-GAAP



2012 Model Changes

We have added ~\$36M in revenue and reduced our PF EPS by \$0.02.

VALUATION:

Currently, ACTV shares trade 18x EV/2011E EBITDA. Our \$18 price target for ACTV shares is based on a 21x EV/EBITDA multiple applied to our 2012 estimate of \$47M. We assume ACTV maintains a slightly higher valuation multiple and believe this multiple is appropriate since the business has a highly predictable revenue stream and the multiple is similar to our 20% long-term CAGR expectation.

RISKS TO PRICE TARGET:

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

COMPANY DESCRIPTION:

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

The Active Network

Income Statement

(\$ in millions, except per share)

		2010					2011E					2012E				
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4E	FY	Q1E	Q2E	Q3E	Q4E	FY
	2009	Mar-10	Jun-10	Sep-10	Dec-10	2010	Mar-11	Jun-11	Sep-11	Dec-11	2011E	Mar-12	Jun-12	Sep-12	Dec-12	2012E
Technology	210.5	54.9	71.2	62.4	49.2	237.7	63.1	85.6	76.3	58.3	283.2	75.4	101.8	95.4	74.3	346.9
Y/Y % Change			11%	7%	13%	13%	15%	20%	22%	19%	19%	20%	19%	25%	27%	22%
Q/Q % Change		26%	30%	-12%	-21%		28%	36%	-11%	-24%		29%	35%	-6%	-22%	
% of Total Rev	86.7%	86.9%	87.2%	85.4%	79.8%	85.0%	86.8%	86.4%	85.2%	79.9%	84.7%	83.4%	83.6%	82.4%	76.8%	81.7%
Marketing Services	32.4	8.3	10.5	10.7	12.4	41.9	9.6	13.5	13.3	14.7	51.0	15.0	20.0	20.3	22.4	77.7
Y/Y % Change			36%	40%	17%	29%	16%	28%	24%	18%	22%	56%	49%	53%	53%	52%
Q/Q % Change		-22%	27%	2%	16%		-23%	40%	-1%	10%		2%	33%	2%	10%	
Total Revenue	242.9	63.2	81.7	73.1	61.6	279.6	72.7	99.0	89.6	73.0	334.3	90.4	121.8	115.7	96.7	424.7
Y/Y % Change	40%	24%	14%	11%	13%	15%	15%	21%	23%	18%	20%	24%	23%	29%	32%	27%
Q/Q % Change		16%	29%	-10%	-16%		18%	36%	-10%	-19%		24%	35%	-5%	-16%	
Cost of Revenue																
Cost of Technology Revenue		21.9	26.5	23.1	19.5	91.0	26.0	33.1	32.4	26.1	117.6	32.4	41.8	42.0	33.4	149.6
Technology Margin		60.1%	62.7%	63.0%	60.4%		58.8%	61.3%	57.6%	55.3%		57.0%	59.0%	56.0%	55.0%	
Cost of Marketing Services		1.0	1.7	1.8	1.6	6.2	1.2	1.5	1.6	1.9	6.2	2.0	2.7	2.6	2.7	10.1
Marketing Services Margin		87.7%	83.5%	83.0%	86.8%		87.9%	89.0%	88.0%	87.0%		86.5%	86.5%	87.0%	88.0%	
Gross Profit	153.2	40.3	53.4	48.2	40.5	182.3	45.6	64.4	55.6	45.0	210.6	56.0	77.4	71.1	60.6	265.0
Gross Margin	63.1%	63.7%	65.4%	65.9%	65.7%	65.2%	62.7%	65.0%	62.1%	61.6%	63.0%	61.9%	63.5%	61.4%	62.7%	62.4%
Operating Expense																
Sales and Marketing	49.8	14.5	15.0	14.9	14.1	58.5	16.8	18.3	16.8	17.0	68.9	18.9	21.7	21.5	22.1	84.1
% of Total Revenue	20.5%	23.0%	18.3%	20.4%	22.9%	20.9%	23.0%	18.5%	18.8%	23.3%	20.6%	20.9%	17.8%	18.6%	22.9%	19.8%
Y/Y % Change	3%	10%	18%	26%	18%	18%	15%	22%	13%	20%	18%	13%	18%	28%	30%	22%
Research and Development	58.2	14.9	16.2	15.0	14.8	60.9	16.1	16.2	17.3	17.5	67.0	18.3	18.9	19.6	20.4	77.3
% of Total Revenue	23.9%	23.6%	19.8%	20.6%	23.9%	21.8%	22.1%	16.3%	19.3%	23.9%	20.0%	20.3%	15.5%	17.0%	21.1%	18.2%
General and Administrative	29.7	9.8	10.4	8.9	8.8	38.0	10.2	11.1	10.4	10.5	42.1	11.6	11.7	11.9	12.0	47.2
% of Total Revenue	12.2%	15.5%	12.8%	12.2%	14.3%	13.6%	14.0%	11.2%	11.6%	14.4%	12.6%	12.9%	9.6%	10.2%	12.4%	11.1%
Total Costs and Expenses	245.8	66.2	73.9	67.8	62.8	270.8	73.8	83.9	82.1	76.6	316.5	90.0	103.5	104.3	97.3	395.1
PF Operating Income	3.0	(2.8)	7.2	4.3	(3.0)	5.8	(1.1)	15.1	7.4	(3.6)	17.8	0.4	18.4	11.4	(0.6)	29.6
PF Operating Margin	1.2%	(4.5%)	8.9%	5.9%	(4.8%)	2.1%	(1.5%)	15.3%	8.3%	(5.0%)	5.3%	0.5%	15.1%	9.9%	(0.7%)	7.0%
Non-Cash Items/Stock Comp./Other	35.1	7.2	6.7	6.7	6.1	26.7	(7.5)	(7.3)	(7.9)	(8.9)	(31.6)	(9.8)	(10.6)	(10.4)	(10.0)	(40.8)
Total Other Income	(3.8)	(1.7)	(1.7)	(0.5)	(1.0)	(4.8)	(1.3)	(1.2)	(0.0)	(0.8)	(3.3)	(0.9)	(1.0)	(0.9)	(0.6)	(3.5)
PF Net Income	(15.3)	(7.8)	2.4	0.4	(5.2)	(10.1)	(5.3)	10.2	3.1	(9.9)	(1.9)	(4.8)	13.3	7.1	(5.7)	9.0
PF Net Income %	-6.3%	-12.4%	2.9%	0.6%	-8.5%	-3.6%	-7.3%	10.3%	3.4%	-13.5%	-0.6%	-5.3%	10.9%	6.1%	-5.9%	2.1%
GAAP Net Income	(37.9)	(12.4)	(1.9)	(3.8)	(9.1)	(27.2)	(10.9)	5.5	(1.4)	(14.4)	(20.6)	(11.1)	6.2	0.1	(12.1)	(16.9)
PF EPS	(\$0.38)	(\$0.19)	\$0.05	\$0.01	(\$0.12)	(\$0.25)	(\$0.12)	\$0.18	\$0.05	(\$0.16)	(\$0.05)	(\$0.07)	\$0.20	\$0.10	(\$0.08)	\$0.13
Y/Y % Change	44.0%	(24.1%)	(75.8%)	(90.8%)	2.7%	35.8%	34.4%	256.3%	377.7%	(24.5%)	79.0%	40.9%	10.8%	109.9%	47.9%	N/A
GAAP EPS	(\$1.57)	(\$0.46)	(\$0.21)	(\$0.26)	(\$0.39)	(\$1.33)	(\$0.43)	\$0.03	(\$0.03)	(\$0.27)	(\$0.69)	(\$0.20)	\$0.11	\$0.00	(\$0.21)	(\$0.30)
Fully Diluted Shares Outstanding (M)	40.5	41.7	45.9	41.7	41.7	41.7	43.1	57.4	62.8	63.4	56.7	66.0	67.4	68.7	70.1	68.1
Adj. EBITDA	15.7	1.1	11.8	9.3	2.8	25.1	2.6	20.8	12.7	2.1	38.1	4.6	22.6	15.8	3.9	47.0
Y/Y Change %						60%	145%	76%	37%	-27%	1%	79%	9%	25%	89%	85%
Adj. EBITDA margin (%)	6%	2%	14%	13%	5%	9%	4%	21%	14%	3%	8%	5%	19%	14%	4%	11%
Adj. EBITDA/Share	\$0.39	\$0.03	\$0.26	\$0.22	\$0.07	\$0.60	\$0.06	\$0.36	\$0.20	\$0.03	\$0.45	\$0.07	\$0.34	\$0.23	\$0.06	\$0.69

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

Source: Company reports and ThinkEquity LLC estimates

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

Brian J. Schwartz
Sr. Research Analyst
415.249.1982
bschwartz@thinkequity.com
1/6/2012

		Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2009	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Balance Sheet								
Current Assets:								
Cash and Equivalents	\$26.4			\$36.9	\$31.4	\$60.8	\$157.5	\$139.0
Restricted cash	\$5.0			\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Accounts Receivable	27.6			39.1	34.1	45.8	55.7	61.2
Prepaid expense and other current assets	3.7			4.4	4.2	4.9	6.9	6.0
Total Current Assets	62.6			85.4	74.7	116.5	225.1	211.2
Long-term Assets:								
PP&E	26.7			28.0	28.2	27.5	26.9	28.9
Software development costs	27.0			35.7	37.0	39.5	42.2	43.6
Goodwill	203.0			206.4	207.1	213.5	213.4	213.4
Intangible assets	60.3			44.9	41.2	40.4	35.2	32.4
Deposits and other assets	2.3			2.4	2.3	3.3	2.2	2.0
Total Assets	381.9			402.8	390.5	440.7	545.0	531.6
Current Liabilities:								
Accounts Payable	3.4			4.0	5.4	6.4	5.0	4.5
Registration fees payable	30.2			47.3	40.7	81.2	99.6	76.2
Accrued expenses	27.6			34.4	32.2	39.6	31.7	36.1
Deferred Revenue	25.0			35.9	34.0	36.1	46.1	52.7
Current portion of debt	13.0			14.8	16.9	14.1	0.0	0.0
Capital lease obligations, current	1.9			2.0	2.0	2.1	2.0	2.9
Other current liabilities	0.1			2.3	1.6	1.7	2.6	2.6
Total Current Liabilities	101.3			140.8	132.7	181.2	187.0	174.9
Long-term Liabilities								
Debt, net of current portion	35.7			28.5	27.5	27.1	0.0	0.0
Capital lease obligations, net of current	3.6			1.8	1.7	1.0	1.0	0.6
Other Long-term liabilities	2.0			1.9	4.4	5.1	5.3	5.6
Deferred tax liability	16.3			17.8	18.0	19.0	19.7	19.6
Total Liabilities	159.0			162.3	156.7	206.3	213.0	200.8
Total Preferred Stock	364.2			385.0	0.0			
Total Shareholders' Equity	-141.3			-144.6	233.9	234.4	332.0	330.8
Total Liabilities and Equity	381.9			402.8	390.5	440.7	545.0	531.6

Net Cash								
Current Ratio	0.6x			0.6x	0.6x	0.6x	1.2x	1.2x
Quick Ratio	0.3x			0.3x	0.2x	0.3x	0.8x	0.8x
Total Cash	26			37	31	61	158	139
Total Debt	4			2	2	1	1	1
Net Cash	23			35	30	60	157	138
Q/Q growth in net cash				-15%		101%	162%	-12%
Days Sales Outstanding				7	6	4	5	
Total Debt to Capital	1.0%			0.4%	0.4%	0.2%	0.2%	0.1%
Total Debt to Equity	-2.6%			-1.2%	0.7%	0.4%	0.3%	0.2%
Average Shares Outstanding (M)				0.0	0.0	0.0	0.1	0.1
Book Value / Share				(\$3.47)	\$5.61	\$5.44	\$5.78	\$5.27
Cash/Share				\$0.88	\$0.75	\$1.41	\$2.74	\$2.21
Net Cash / Share				\$0.84	\$0.71	\$1.39	\$2.73	\$2.20

Deferred Revenue & Billings Analysis								
Total Deferred Revenue	27			38	38	41	51	58
Deferred Revenue Q/Q Absolute Change				1	1	3	10	7
Q/Q % Change				1%	1%	7%	25%	13%
Y/Y % Change	24%			42%				54%
Billings				62	76	109	96	
Q/Q % Change					22%	45%	-12%	
Y/Y % Change								
<i>LTM Billings/FTM Revenue</i>		0%	0%	0%	19%	39%	66%	53%
Billings (based only on Short-term Deferred Rev)	38	82	109	60	75	109	96	
Q/Q % Change		114%	33%	-45%	25%	46%	-12%	
Y/Y % Change					96%	33%	-12%	
Billings (based upon Cashflow chg. In Deferred Rev)	63	82	73	70	75	109	96	
Q/Q % Change		29%	-10%	-4%	6%	46%	-12%	
Y/Y % Change					18%	33%	31%	

	2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E	Q1E	Q2E	Q3E	Q4E
	2009	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Cash Flow Model													
Cash from operations	27.5				42.1	40.1	26.5	13.2	(14.3)	39.9	27.4	(5.6)	(8.4)
LTM total cash from operations per share					\$ 1.01			\$ 1.94	\$ 1.03	\$ 1.15	\$ 1.00	\$ 0.70	\$ 0.78
% of Billings					68%	53%	24%	14%					
CapEx	(25.0)				(30.4)	(4.5)	(4.5)	(31.0)	(5.0)	(13.3)	(5.4)	(1.7)	(12.3)
LTM Total	(25)				(30)			(70)	(45)	(54)	(55)	(25)	(33)
Free cash flow	2.5				11.7	35.6	22.0	(17.8)	(19.3)	26.6	22.0	(7.3)	(20.7)
LTM total free cash flow per share					\$ 0.28			\$ 0.82	\$ 0.32	\$ 0.20	\$ 0.17	\$ 0.33	\$ 0.30

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

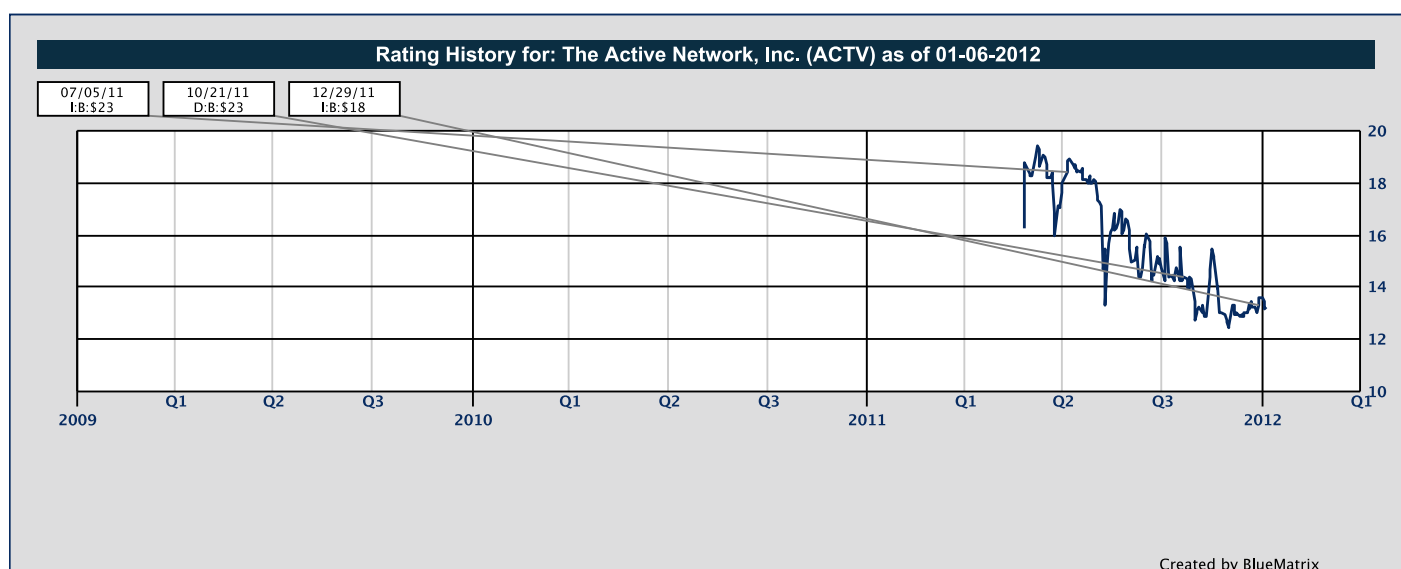


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Distribution of Ratings, Firmwide				
ThinkEquity LLC				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	114	64.80	15	13.16
HOLD [H]	50	28.40	2	4.00
SELL [S]	12	6.80	0	0.00



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