

## UBS Investment Research

### The Active Network, Inc.

## Market Leader in a \$10B+ SaaS Space

#### ■ Large addressable market with low penetration and limited competition

ACTV, our new small cap top pick, is the leader in a \$10B (NA only) fragmented market with low penetration (~4% of registrations / ~6% of organizations). ACTV has built strong competitive moats based on scale (47K+ orgs / 70MM+ regs/year), technology, and deep expertise (10+ yrs), facing limited competition from mostly small, regional players with a few legacy relationships. ACTV has 4 main growing segments – sports, outdoors, communities, and biz events – each \$50MM+ in rev.

#### ■ High revenue visibility, built-in leverage, capitalizing on online migration

With multi-year contracts and a big and diversified customer base, ACTV has very good visibility (85%) into revenues at the start of each period. Less than 5% annual revenue churn contributes to the recurring nature of registration revenues. The model also benefits from built-in leverage that kicks in as ACTV phases off duplicate R&D for legacy systems and off-line registrations migrate to online.

#### ■ Network effect driving user engagement and customer growth

ACTV has built some engaging Internet properties around its organized events. It is also investing in products with social / mobile / global capabilities as these drive higher engagement, participation, and registrants. User communities create a loyal audience / strong traffic (UVs & visits up 40%+ Y/Y in each of last 9 mos.), which in turn attract more organizers, generate demand, and create a virtuous cycle.

#### ■ Valuation: Initiating with a Buy rating and \$22 price target

Our \$22 PT is based on a 10-year DCF (11.5% WACC and 4.5% LTGR). ACTV currently trades at ~10x our '12E EBITDA vs. our '11-'14E EBITDA CAGR of 28%.

Highlights (US\$)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	242,884	279,600	336,292	391,576	454,423
EBIT (UBS)	(20,333)	(15,167)	(6,086)	16,111	31,028
Net Income (UBS)	(63,633)	(55,429)	(28,004)	147	13,470
EPS (UBS, US\$)	(10.86)	(7.83)	(0.44)	0.00	0.21
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	4.1	6.8
ROIC (EBIT) %	-	(6.8)	(3.0)	8.4	17.9
EV/EBITDA (core) x	-	-	16.2	10.4	7.8
PE (UBS) x	-	-	NM	NM	59.8
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\$12.50 on 02 Dec 2011 19:41 EST

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## Global Equity Research

Americas

Internet Services

12-month rating **Buy**  
Prior: Not Rated

12m price target US\$22.00

Price US\$12.50

RIC: ACTV.N BBG: ACTV US

5 December 2011

#### Trading data

52-wk range	US\$19.41-12.43
Market cap.	US\$0.68bn
Shares o/s	54.2m (COM)
Free float	54%
Avg. daily volume ('000)	63
Avg. daily value (m)	US\$0.9

#### Balance sheet data 12/11E

Shareholders' equity	US\$0.32bn
P/BV (UBS)	2.1x
Net Cash (debt)	US\$0.12bn

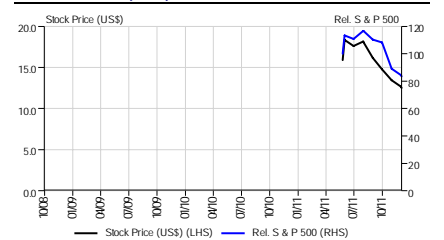
#### Forecast returns

Forecast price appreciation	+76.0%
Forecast dividend yield	0.0%
Forecast stock return	+76.0%
Market return assumption	5.3%
Forecast excess return	+70.7%

#### EPS (UBS, US\$)

	12/11E	12/10
	From	To
Q1	- (2.13)	- (2.97)
Q2	- 0.03	- (1.26)
Q3E	- (0.03)	- (1.51)
Q4E	- (0.23)	- (2.29)
12/11E	- (0.44)	-
12/12E	- 0.00	-

#### Performance (US\$)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 36.

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<b>Contents</b>	<b>page</b>
<b>Investment Thesis</b>	<b>3</b>
— Market Leader in a \$10B+ SaaS Space .....	3
— Large and Fragmented Addressable Market.....	4
— Low Online Penetration.....	6
— Leading Technology Platform with High Competitive Barriers to Entry.....	7
— High Revenue Visibility / Predictable Recurring Revenue.....	8
— Network Effect Driven by Compelling Community / Social Features .....	10
— Secular Growth in Online Advertising .....	13
<b>Major Growth Drivers</b>	<b>15</b>
<b>Valuation and Price Target Basis</b>	<b>17</b>
— VCAM Sensitivity Analysis .....	17
— Consensus Expectations.....	17
<b>Risk Analysis</b>	<b>18</b>
— Forthcoming Catalysts.....	21
<b>Company Overview</b>	<b>22</b>
<b>Management Profile</b>	<b>24</b>
<b>Environmental, Social, and Governance Issues</b>	<b>26</b>
<b>Financial Model</b>	<b>27</b>

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# Investment Thesis

## Market Leader in a \$10B+ SaaS Space

Active Network is the market leader in online events registration services – a \$10B opportunity in North America only – which is highly fragmented and under-penetrated (Active is serving ~4% and ~6% of addressable registrations and organizations, respectively). The company has built strong competitive moats based on scale (handling 70MM+ registrations / year for 47K+ customers), technology (900+ R&D staff), and deep domain expertise (10+ years of experience). Currently, it faces very limited competition – mostly from niche players with a few legacy relationships in their immediate vicinity.

Active Network enjoys a sizeable recurring revenue stream (about 85% of total revenue comes from exclusive multi-year contracts) and a large and diversified customer base. In addition, less than 5% annual revenue churn contributes significantly to the recurring nature of registration revenues and overall high revenue visibility. The company's model also benefits from built-in leverage that starts to kick in as Active phases off duplicate R&D spend for legacy systems and off-line registrations migrate to online.

Active Network has managed to build some very engaging Internet properties around the events it helps organize. The company is also investing in products with social / mobile / global capabilities as these tend to drive higher engagement, participation, and registrants. Social features such as user communities help create a loyal audience and drive higher traffic growth (unique visitors and total visits to Active websites increased 40%+ Y/Y in each of the past 9 months). A loyal audience and solid traffic, in turn, attract more organizers to Active's properties and create a virtuous network effect cycle.

We are initiating coverage of Active Network with a Buy rating and \$22 price target. We believe our estimates could prove conservative as Active continues to migrate existing customers to ActiveWorks – its technology platform.

## Large and Fragmented Addressable Market

While Active Network may be best-known for the registration of endurance events, including triathlons and marathons, on its Active.com website, its robust SaaS-based technology platform serves a much larger, highly fragmented market. The company's customers can be categorized into 20 key verticals forming four main groups (each contributing \$50MM+ a year).

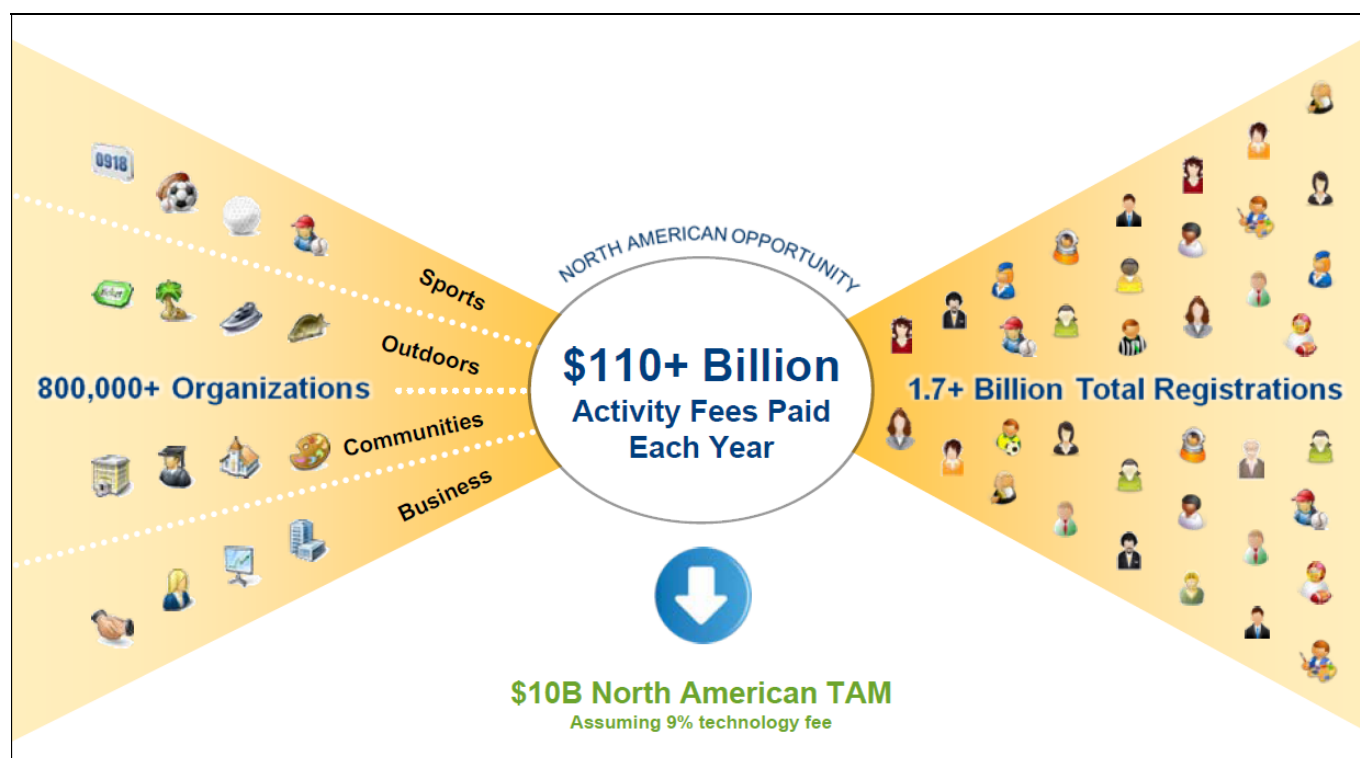
**Table 1: Active Network Customer Verticals**

Sports	Community Activities	Outdoors	Business Events
Endurance Events	Parks & Recreation Departments	State Campgrounds	Conferences
Leagues & Teams	Schools & Districts	National Parks	Conventions
Golf Courses	City & County Governments	Fishing Licenses	Association Gatherings
Clubs	Camps & Retreats	Hunting Permits	Meetings & Seminars
Tournaments	Faith-Based Organizations	Marinas	Trade Shows & Expos

Source: Company reports, UBS

Active's total addressable market (TAM) is so large that it is almost difficult to conceptualize. According to the company, each year more than 800,000 organizations in North America solicit and process more than 1.7B registrations for sports, outdoors, community, or business events.

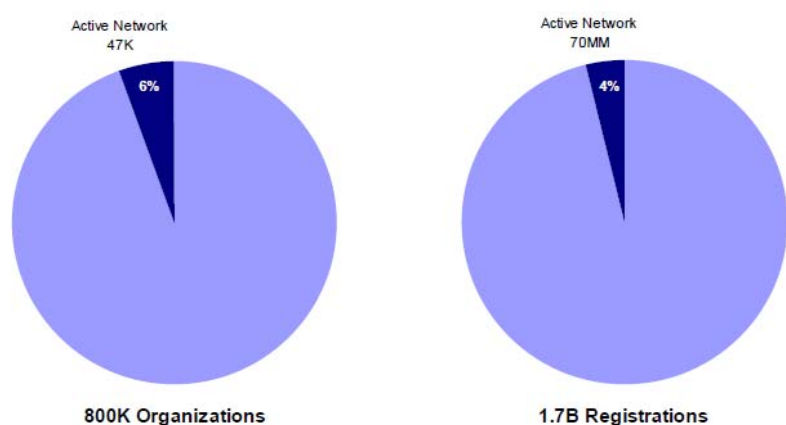
**Figure 1: Total Addressable Market for Active Network**



Source: Active Network, UBS

Active Network works with over 47,000 of these organizations, processing more than 70MM registrations a year for them. This represents just 4%-6% market penetration and highlights the size of the untapped opportunity. In addition, while less than five percent of revenue is currently from international sources, we believe that market characteristics abroad are similar, and thus present a significant opportunity for Active Network.

**Chart 1: North America Event Registrations Market Penetration (2010)**



Source: Company reports, UBS

Based on management estimates, the 1.7B annual event registrations generate more than \$110B in activity fees. This translates into about \$10B TAM in North America (based on an average 9% technology fee assumption). For comparison, Active Network generated \$238MM in technology revenue in 2010, which represents roughly 2% market share. Following its recent IPO, Active Network has very strong balance sheet with over \$139MM in cash, enabling the company to scale its business and to execute its growth plan and profitability goals.

Active Network continues to expand its presence into other areas, including winter sports and the faith-based market, where it recently acquired Resort Technology Partners (RTP) and Fellowship Technologies, respectively. Post this acquisition, the Active Network platforms now serve over 3,500 churches and a number of popular ski resorts to sell tickets, activities, and manage rentals. RTP's systems are currently implemented by Aspen Skiing Company, Intrawest, Powdr Corp., SkiStar, Vail Resorts, and VERBIER-St-Bernard, among others. Churches are not much different from other organizations (in terms of event and community management) and have the same set of needs as many of the other organizations Active currently serves. The company's comprehensive suite of solutions gives church organizers the tools to leverage their resources and best serve the people in their communities with the goal of growing revenues and operating more efficiently. We believe that opportunities for growth in each vertical, as well as in new segments, are very substantial.

In addition, the SaaS space as a whole exhibits several characteristics that make it very attractive:

- **SaaS: a major platform shift** – SaaS, as applied to business software, represents a major transition in the IT landscape. Its significance rivals past transitions, such as from mainframe computing to minicomputers, and from minis to client / server computing. As with most major IT transitions, we expect the SaaS trend to last 10+ years.
- **SaaS: fastest growing segment of enterprise software** – According to Gartner Inc. data, revenue from SaaS-based enterprise applications software is forecast to grow at a 5-year CAGR (2008-13) of 17.7% – significantly outpacing the overall enterprise apps software market growth of 3.6%. Penetration of SaaS within overall enterprise apps software is expected to nearly double from 7% in 2008 (\$6.4B out of \$90.6B total) to 13% by 2013 (\$14.4B out of \$108.3B total).

Table 2: SaaS / On-Demand Valuation Comp Sheet

ticker	name	price	mkt cap	EV	Revenues NTM	LTM	% growth	EPS NTM	LTM	% growth	Valuation EV/S (ntm)	PE (ntm)	last qtr PF op mgn
CRM	Salesforce.com Inc.	\$118.38	\$16,830	\$16,109	\$2,736	\$2,091	31%	1.56	1.23	27%	5.9x	76x	11.2%
RNOW	RightNow Technologies Inc.	42.90	1,529	1,463	258	216	19%	0.77	0.61	26%	5.7x	56x	15.5%
CNQR	Concur Technologies Inc.	47.34	2,637	2,320	436	350	25%	0.86	0.81	6%	5.3x	55x	23.9%
KNXA	Kenexa Corp.	24.56	684	635	320	276	16%	1.02	0.79	29%	2.0x	24x	10.7%
TLEO	Taleo Corp. (CI A)	32.26	1,409	1,298	366	309	18%	1.05	1.03	2%	3.6x	31x	15.0%
ULTI	Ultimate Software Group Inc.	66.03	1,832	1,786	311	257	21%	0.90	0.59	53%	5.7x	73x	12.7%
VOCS	Vocus Inc.	20.80	439	333	127	111	15%	0.87	0.77	13%	2.6x	24x	14.6%
CTCT	Constant Contact Inc.	21.90	666	538	242	204	18%	0.88	0.59	49%	2.2x	25x	15.6%
DMAN	DemandTec Inc.	7.65	252	187	96	88	9%	0.09	(0.03)	NM	1.9x	NM	-2.3%
SFSF	SuccessFactors Inc.	25.96	2,259	2,012	403	298	35%	0.09	0.11	-18%	5.0x	NM	9.1%
N	NetSuite Inc.	41.64	2,957	2,832	278	224	24%	0.20	0.14	43%	10.2x	NM	7.1%
MDSO	Medidata Solutions Inc.	19.99	496	393	199	181	10%	1.29	1.67	-23%	2.0x	15x	29.8%
LOGM	LogMeIn Inc.	41.42	1,043	857	136	118	15%	0.76	0.78	-3%	6.3x	55x	22.3%
ARBA	Ariba Inc.	30.22	2,923	2,698	527	444	19%	0.93	0.81	15%	5.1x	32x	15.9%
RP	RealPage Inc.	24.68	1,777	1,767	315	241	30%	0.46	0.33	39%	5.6x	54x	17.8%
IL	IntraLinks Holdings Inc.	5.19	284	307	211	212	0%	0.45	0.45	0%	1.5x	12x	23.4%
SQI	SciQuest Inc.	14.66	329	274	61	50	22%	0.32	0.26	23%	4.5x	46x	17.6%
ACTV	Active Network Inc.	12.50	683	543	379	323	17%	(0.17)	(4.42)	NM	1.4x	NM	2.0%
<b>Total</b>			<b>\$39,028</b>	<b>\$36,353</b>	<b>\$7,400</b>	<b>\$5,995</b>							
<b>Mean</b>			<b>\$2,168</b>	<b>\$2,020</b>	<b>\$411</b>	<b>\$333</b>	<b>19%</b>			<b>18%</b>	<b>4.3x</b>	<b>34x</b>	<b>15.7%</b>
<b>Median</b>			<b>\$1,226</b>	<b>\$1,077</b>	<b>\$294</b>	<b>\$233</b>	<b>18%</b>			<b>19%</b>	<b>4.7x</b>	<b>32x</b>	<b>15.6%</b>

Source: FactSet, UBS

## Low Online Penetration

Over the years, the manual (paper-based or spreadsheet-based) approach to event registrations has been gradually replaced by more sophisticated, organizer-hosted custom applications and increasingly by tailored online applications running on platforms such as ActiveWorks – Active Network’s organization-centric cloud computing platform, which has transformed the way organizers manage, market, record, track, and share information about activities and events. Prior to using SaaS solutions, organizers had limited means to improve productivity. There was a clear lack of high quality products that addressed this fragmented market. Active Network developed a superior technology platform with deep domain expertise, which helped the company embed into the operational fabric of its customer base.

Figure 2: Active Network Services Delivered Through the Cloud



Source: Active Network, UBS

## Leading Technology Platform with High Competitive Barriers to Entry

Since the beginning of 2011, Active has managed over \$1.7B in gross registration fees through its proprietary cloud-based SaaS platform. The ActiveWorks platform architecture allows it to efficiently provide vertically-specialized, flexible and scalable applications to a large and diverse market.

Active Network's biggest competitor today is pen and paper. For example, if a person wants to reserve a campsite, the state park will likely book the spot by writing down their information in a reservation book. Beyond pen and paper, Active is the largest company in the space. The strength of its business lies in the core of its technology. Active has leveraged its key horizontal applications with the necessary vertical specific features and functionality, allowing for broader reach and movement into adjacent market opportunities. The company developed a platform that addresses both sides of the market – the organizer and the customer. It has partnered with organizers to gain exclusive access to their activity inventory with SaaS applications and it has built the largest online communities dedicated to active participants (Active owns and operates the leading online communities for activity participants such as Active.com, ReserveAmerica.com and LaxPower.com). These communities have been built as a by-product of SaaS systems and many activity organizers work to get access to Active's audience. The company's position in both markets is self-reinforcing, therefore, creating a network effect.

While there are a number of smaller competitors, they are mostly regional players that not only have a limited range of services but also lack the scale, technology, and vertical expertise of Active Network. The company has a loyal customer base, with less than 5% annual registration revenue churn. Active Network is the leader in each of its major verticals and management believes that, overall, Active generates over 5x the revenue of its next largest competitor – Cvent, which operates in only one of Active's verticals, business events. With mostly niche players having few legacy relationships in their immediate vicinity,



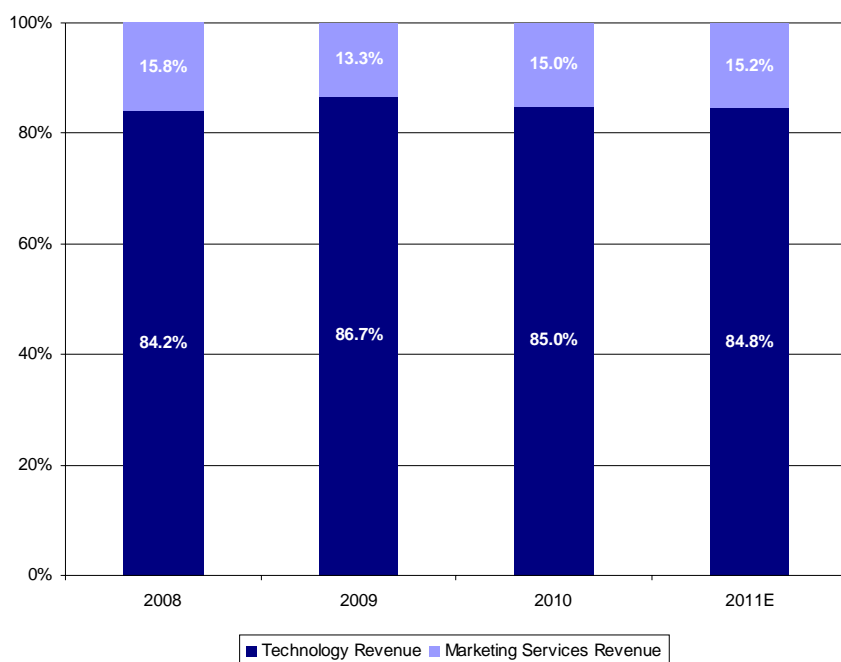
competition in online events registration is very fragmented and in our view poses no immediate threat to Active's competitive market positioning.

## High Revenue Visibility / Predictable Recurring Revenue

About 85% of Active Network's revenue base consists of technology revenue composed of net registration and software revenue. Net registration revenue (~70% of total) is generated when a participant (in a customer's event) completes a registration and pays the registration fee (typically using a credit card). Once the credit card transaction is processed, Active receives the full payment (less processing fees) and retains ~\$2 per registration + 6.5% of the net registration fee paid by the participant. The remainder is remitted (in about two weeks) to the customer organization. Software revenue (~15% of total) includes revenue from software licensing, hosting, maintenance, and implementation fees, with the majority of it related to legacy systems from acquired companies. As Active continues to migrate existing customers to ActiveWorks, software revenue is expected to decline as a percentage of technology (and total) revenue.

Technology revenue comes from exclusive, multi-year contracts (usually 3-year agreements) and gives management very good visibility into revenue levels over a forward 9-12 month time frame. Historical annual revenue churn has been relatively low – less than 5% – and contributes largely to the recurring nature of revenue. In addition, the company's customer base is big (more than 47,000 organizations) and diversified, helping further increase visibility and recurrence of revenue streams.

Chart 2: Breakdown of Active Network's Annual Revenue

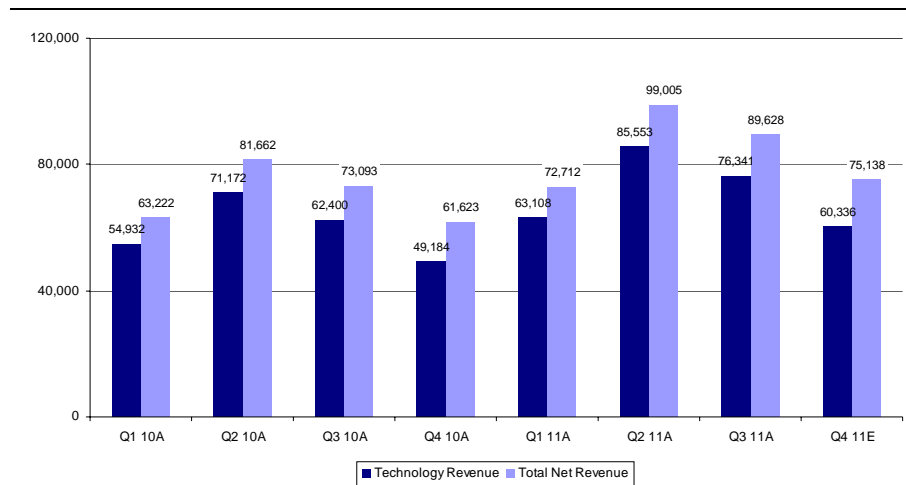


Source: Company reports, UBS estimates



While Active Network's revenue currently exhibits pronounced seasonal patterns (with Q2 being the busiest quarter and Q4 the slowest), expansion into winter sports with the acquisition of RTP represents an opportunity to smooth out seasonality. Expansion into other verticals and growth of marketing services can soften this seasonality even more.

Chart 3: Seasonality in Active Network's Revenue (\$'000s)



Source: Company reports, UBS estimates

### Model with Built-in Leverage

As a result of more than 25 acquisitions over the past 5 years, Active Network has accumulated more than a few customers that license legacy systems for all or part of their needs. Since Active is contractually obligated to support these legacy systems, it effectively duplicates its R&D (supporting both ActiveWorks and licensed software). In 2010, the company spent roughly 60% of R&D on its new platform and 40% on legacy systems. While the company has been actively transitioning customers to ActiveWorks (where possible), management estimates that the migration to the new platform will require an additional 3-4 years to complete. Once this process concludes, Active's annual R&D spend will be reduced noticeably, resulting in margin improvement of roughly 400bps over a period of 4 years.

Table 3: List of Active Network Acquisitions

#	Year	Name	Description
1	2000	eteamz	Top US online community for sports teams & leagues
2	2000	FogDog Sports	Online sporting goods retailer
3	2004	Class Software Solutions	#1 provider of software to communities/parks & recreation
4	2004	Do it Sports	Provider of race & marathon event management services
5	2005	Public Enterprise Group	Developer of municipal marketing partnerships and revenue-generating programs
6	2005	Tee Time King	Provider of online reservations and golf course management software
7	2005	Vision Sports & Entertainment Partners	Youth sports promotions agency
8	2006	IronPoint Technology	Provider of content management solutions
9	2006	Jenness Software & Technologies	Provider of golf management software
10	2006	LeagueOne	Provider of data management software for soccer associations
11	2006	ProEnroll TM	Provider of online registration services
12	2006	Promote it!	Largest US health club promotions agency
13	2006	SPORG	Provider of payment processing solutions
14	2007	CoolRunning.com	Online resources for runners and racers
15	2007	InfoSpherix	Reservation system for parks & other public agencies
16	2007	LaxPower.com	Online community for high school & college lacrosse fans
17	2007	Thrive	Provider of camp & event registration/payment services
18	2008	Automated License Systems	#1 hunting & fishing license and permit system provider
19	2008	HY-TEK Sports Software	Provider of software & services to swimming and track & field clubs
20	2008	iPlayers	Online recruiting site for high school athletes & college recruiters
21	2008	Outdoor Central	Provider of online solutions to state, natural resource & park agencies
22	2008	RegOnline	#1 provider of SaaS solutions to the events market
23	2008	WingateWeb	Provider of event management software
24	2009	ReserveAmerica	#1 campground reservation system provider
25	2010	Channel:1 Corporation	Provider of on-site event management software solutions
26	2010	Clubspaces	Online technology for youth & amateur sports associations, leagues and teams
27	2011	Fellowship Technologies	#1 provider of SaaS solutions to faith-based market
28	2011	RTP	#1 provider of SaaS solutions to ski resort market

Source: Company reports, UBS

Another built-in leverage in Active's model kicks in as off-line registrations move online. This is particularly true for the outdoors segment where the company maintains call centers for campground registrations and shares revenue with merchants such as Wal-Mart, REI, or Dick's Sporting Goods where hunting & fishing licenses are purchased at a kiosk or POS terminal. Once the migration to the online channel (accounting in 2010 for only ~9% of hunting & fishing license / permit issues and ~54% of campground registrations) accelerates, Active Network should experience a noticeable improvement in margins. This shift from off-line to online, however, is not happening very fast – only about 2%-4% of Active's business transitions each year – but we expect acceleration over time. We anticipate the potential for a significant tipping point to occur when online share eclipses 20%.

## Network Effect Driven by Compelling Community / Social Features

Active Network websites' community and social features attract increasing numbers of event participants who come to share their experiences and keep in touch with fellow participants and event organizers. This attracts more event organizers to Active's platform which in turn drives more users to engage with their events, building a virtuous cycle that helps the company create value for participants and event organizers, thus attracting more customers and registrants.

Chart 4: Network Effect Drives Growth



Source: Active Network, UBS

Traffic to Active Network's properties has been growing and has averaged more than 7.0MM unique visitors per month since the beginning of 2011. Monthly traffic growth exceeded 40% Y/Y in each of the past nine months. The company has the 10th most popular sports / activity portfolio of websites in the US. Active.com is the most visited of Active Network's Web destinations and has averaged more than 2.8MM unique visitors per month since January 2011.

Table 4: Traffic Trends for Top 7 Active.com Sites

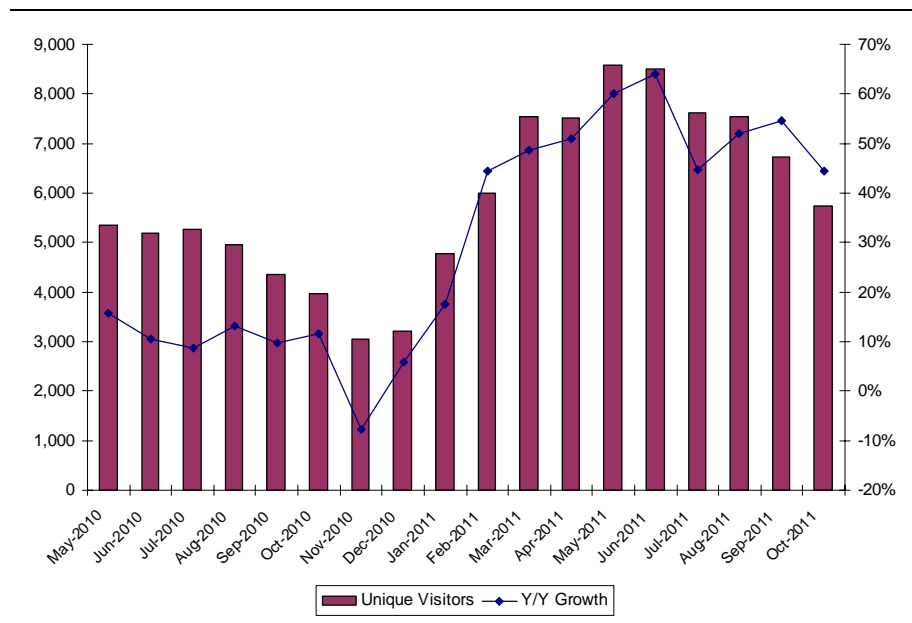
	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011
<b>Active.com Sites</b>	<b>4,767</b>	<b>6,006</b>	<b>7,551</b>	<b>7,518</b>	<b>8,571</b>	<b>8,515</b>	<b>7,609</b>	<b>7,532</b>	<b>6,736</b>	<b>5,731</b>
Y/Y Growth	17%	44%	49%	51%	60%	64%	45%	52%	55%	44%
<b>Active.com</b>	<b>1,356</b>	<b>2,679</b>	<b>3,346</b>	<b>3,320</b>	<b>3,585</b>	<b>3,257</b>	<b>2,997</b>	<b>2,976</b>	<b>2,740</b>	<b>2,474</b>
Y/Y Growth	-5%	126%	98%	114%	147%	150%	121%	97%	106%	56%
<b>eteamz.com</b>	<b>1,558</b>	<b>1,649</b>	<b>2,074</b>	<b>2,191</b>	<b>2,254</b>	<b>2,270</b>	<b>1,837</b>	<b>1,764</b>	<b>1,616</b>	<b>1,383</b>
Y/Y Growth	-6%	-2%	12%	20%	30%	33%	16%	27%	22%	24%
<b>CoolRunning.com</b>	<b>480</b>	<b>437</b>	<b>611</b>	<b>566</b>	<b>633</b>	<b>552</b>	<b>528</b>	<b>552</b>	<b>508</b>	<b>511</b>
Y/Y Growth	102%	131%	203%	223%	240%	148%	121%	113%	85%	120%
<b>ReserveAmerica</b>	<b>622</b>	<b>628</b>	<b>758</b>	<b>808</b>	<b>1,220</b>	<b>1,624</b>	<b>1,692</b>	<b>1,396</b>	<b>781</b>	<b>500</b>
Y/Y Growth	64%	87%	56%	53%	74%	71%	52%	80%	96%	74%
<b>RegOnline.com</b>	<b>300</b>	<b>296</b>	<b>306</b>	<b>259</b>	<b>421</b>	<b>363</b>	<b>334</b>	<b>461</b>	<b>540</b>	<b>388</b>
Y/Y Growth	35%	-10%	-29%	-14%	32%	47%	36%	62%	51%	53%
<b>USTA.com</b>	<b>327</b>	<b>349</b>	<b>390</b>	<b>350</b>	<b>360</b>	<b>387</b>	<b>366</b>	<b>379</b>	<b>381</b>	<b>359</b>
Y/Y Growth	--	25%	9%	-12%	-22%	27%	-3%	7%	22%	73%
<b>ActiveNetwork.com</b>	<b>146</b>	<b>173</b>	<b>203</b>	<b>177</b>	<b>334</b>	<b>498</b>	<b>323</b>	<b>306</b>	<b>277</b>	<b>281</b>
Y/Y Growth	-25%	1%	-16%	-18%	49%	68%	48%	75%	66%	169%

Source: comScore, UBS

Total visits have been growing strong too, with Y/Y growth rates in excess of 40% over the past 10 months. Similarly, total time spent on Active.com sites shows consistently high growth rates since early 2011. In our view, this is due to increased engagement on the side of event participants who stay longer and return more often to the user communities on Active's properties to keep in touch with other participants and the organizers of their favorite events. Such

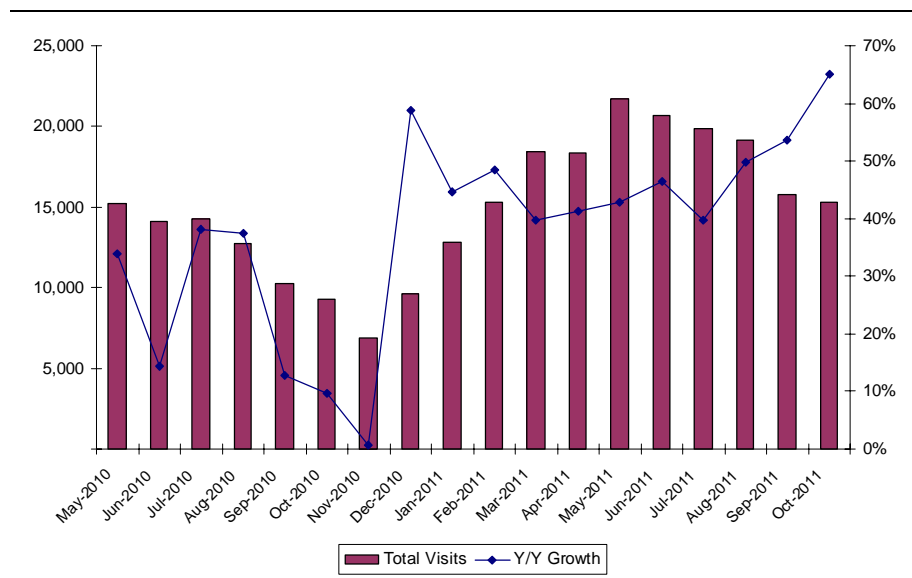
higher engagement usually results in repeat registrations and higher opportunities to generate advertising revenue.

Chart 5: Total US Unique Visitors to Active.com Sites ('000)



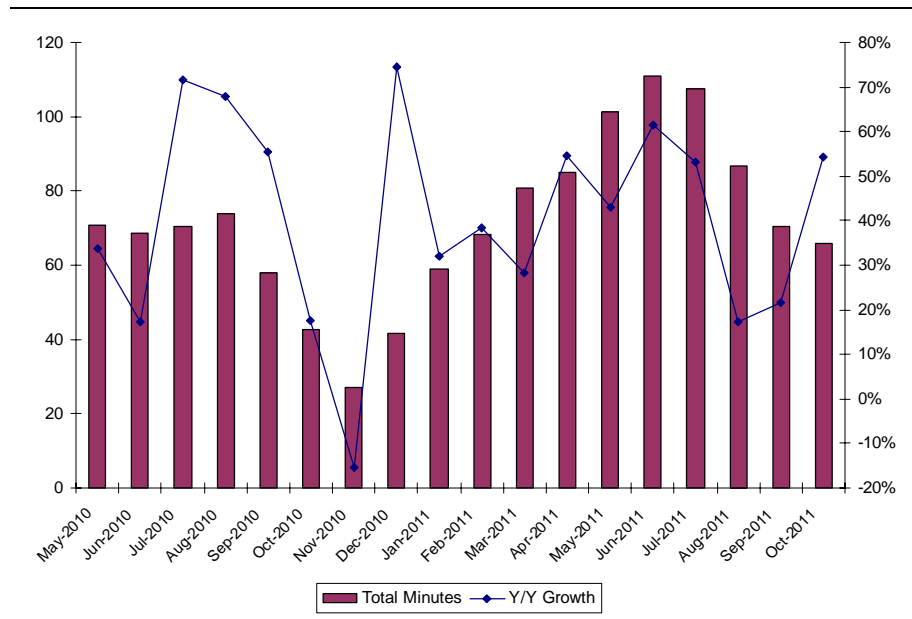
Source: comScore, UBS

Chart 6: Total US Visits to Active.com Sites ('000)



Source: comScore, UBS

Chart 7: Total Time Spent on Active.com Sites (Minutes in MM)



Source: comScore, UBS

The company is also expanding its reach and distribution channels rapidly. Mobile traffic accounts for ~18% of total Active.com traffic (up from ~15% just a couple of months ago). Social fans (Facebook and Twitter) already exceed 1MM (up 105% Y/Y) and affiliate partners contribute more than 17MM visits per month. Active Network is growing its ecosystem actively, as social integration and sharing are primary drivers of traffic growth and conversion. In addition, Active's Web properties are very complementary to its technology services and a major source of activity registrations (for example, 35%-40% of endurance sports registrations originate on Active.com).

## Secular Growth in Online Advertising

While currently, marketing services revenue is only ~15% of total revenue, it has the potential to deliver significant upside to our estimated growth for the segment as ad dollars continue shifting from off-line to online in an effort to catch up with changing content consumption trends. Additional growth can also come from increased advertising budgets once the macro environment improves and advertisers return to their normal ad spend levels. Marketing services revenue consists of online and integrated field marketing campaigns. According to management, the total is roughly equally split between commerce and advertising revenue. Online marketing services include online advertising, e-mail marketing and targeted newsletter promotions. Field marketing services include event promotions, sponsorships, and sample placements, defined contractually with individual customers. A major marketing services customer of Active Network is ESPN – accounting for approximately 17% of marketing services revenue at current run rates (still only about 2% of total net revenue). We expect to see more advertisers showing up on Active's web properties as social features such as user communities and new investments in products with

social / mobile / global capabilities start driving higher engagement, participation, and registrants. Online advertisers will become another part of the virtuous cycle that reinforces the growth of a loyal audience and event organizers selecting Active Network as a service provider.

Table 5: US Online Advertising Spend by Category

(US\$ in Millions)	Q110A	Q210A	Q310A	Q410A	Q111A	Q211A	Q311E	Q411E	2008	2009	2010	2011E	2012E
<b>Search</b>	<b>2,793</b>	<b>2,907</b>	<b>3,084</b>	<b>3,345</b>	<b>3,523</b>	<b>3,763</b>	<b>3,433</b>	<b>3,924</b>	<b>10,483</b>	<b>10,678</b>	<b>12,128</b>	<b>14,643</b>	<b>17,018</b>
growth Y/Y	8.7%	13.9%	18.0%	13.7%	26.1%	29.4%	11.3%	17.3%	20.6%	1.9%	13.6%	20.7%	16.2%
% of Total Spend	47.0%	47.0%	47.7%	44.9%	47.9%	49.0%	45.8%	46.5%	44.7%	47.1%	46.6%	47.3%	47.0%
<b>Classified (&amp; auctions)</b>	<b>618</b>	<b>643</b>	<b>666</b>	<b>697</b>	<b>611</b>	<b>626</b>	<b>735</b>	<b>844</b>	<b>3,213</b>	<b>2,340</b>	<b>2,624</b>	<b>2,816</b>	<b>3,259</b>
growth Y/Y	2.7%	7.7%	15.3%	23.7%	-1.1%	-2.7%	10.3%	21.0%	-5.3%	-27.2%	12.2%	7.3%	15.7%
% of Total Spend	10.4%	10.4%	10.3%	9.4%	8.3%	8.0%	9.8%	10.0%	13.7%	10.3%	10.1%	9.1%	9.0%
<b>Banner</b>	<b>1,337</b>	<b>1,410</b>	<b>1,390</b>	<b>1,899</b>	<b>1,648</b>	<b>1,766</b>	<b>1,874</b>	<b>2,093</b>	<b>4,861</b>	<b>4,867</b>	<b>6,037</b>	<b>7,381</b>	<b>8,871</b>
growth Y/Y	21.0%	20.7%	20.3%	31.9%	23.3%	25.2%	34.8%	10.2%	9.2%	0.1%	24.0%	22.3%	20.2%
% of Total Spend	22.5%	22.8%	21.5%	25.5%	22.4%	23.0%	25.0%	24.8%	20.7%	21.5%	23.2%	23.8%	24.5%
<b>Rich Media</b>	<b>362</b>	<b>380</b>	<b>394</b>	<b>416</b>	<b>379</b>	<b>384</b>	<b>427</b>	<b>481</b>	<b>1,638</b>	<b>1,586</b>	<b>1,553</b>	<b>1,671</b>	<b>1,810</b>
growth Y/Y	-5.3%	0.0%	2.4%	-5.2%	4.6%	1.0%	8.3%	15.7%	-3.4%	-3.2%	-2.1%	7.6%	8.3%
% of Total Spend	6.1%	6.1%	6.1%	5.6%	5.2%	5.0%	5.7%	5.7%	7.0%	7.0%	6.0%	5.4%	5.0%
<b>Video</b>	<b>308</b>	<b>319</b>	<b>336</b>	<b>411</b>	<b>425</b>	<b>466</b>	<b>487</b>	<b>549</b>	<b>734</b>	<b>969</b>	<b>1,374</b>	<b>1,927</b>	<b>2,897</b>
growth Y/Y	41.0%	46.6%	52.8%	31.3%	37.8%	46.3%	44.9%	33.4%	72.8%	32.0%	41.8%	40.2%	50.3%
% of Total Spend	5.2%	5.2%	5.2%	5.5%	5.8%	6.0%	6.5%	6.5%	3.1%	4.3%	5.3%	6.2%	8.0%
<b>Sponsorship</b>	<b>119</b>	<b>123</b>	<b>129</b>	<b>266</b>	<b>240</b>	<b>227</b>	<b>150</b>	<b>169</b>	<b>408</b>	<b>453</b>	<b>637</b>	<b>786</b>	<b>760</b>
growth Y/Y	8.7%	13.3%	17.5%	112.4%	102.0%	84.4%	15.9%	-36.5%	-35.9%	11.1%	40.6%	23.3%	-3.2%
% of Total Spend	2.0%	2.0%	2.0%	3.6%	3.3%	3.0%	2.0%	2.0%	1.7%	2.0%	2.4%	2.5%	2.1%
<b>Email</b>	<b>77</b>	<b>87</b>	<b>91</b>	<b>40</b>	<b>38</b>	<b>41</b>	<b>82</b>	<b>84</b>	<b>469</b>	<b>389</b>	<b>295</b>	<b>246</b>	<b>217</b>
growth Y/Y	-21.5%	-11.4%	-8.6%	-57.2%	-50.8%	-52.7%	-8.9%	109.8%	10.6%	-17.0%	-24.3%	-16.5%	-11.6%
% of Total Spend	1.3%	1.4%	1.4%	0.5%	0.5%	1.0%	1.1%	1.0%	2.0%	1.7%	1.1%	0.8%	0.6%
<b>Referrals/Lead Generation</b>	<b>327</b>	<b>316</b>	<b>375</b>	<b>375</b>	<b>389</b>	<b>416</b>	<b>307</b>	<b>295</b>	<b>1,641</b>	<b>1,378</b>	<b>1,393</b>	<b>1,408</b>	<b>1,376</b>
growth Y/Y	-14.5%	2.2%	10.0%	8.8%	18.8%	31.5%	-18.0%	-21.2%	10.6%	-16.1%	1.1%	1.0%	-2.3%
% of Total Spend	5.5%	5.1%	5.8%	5.0%	6.6%	5.0%	4.1%	3.5%	7.0%	6.1%	5.4%	4.5%	3.8%

Source: IAB, PwC, UBS

## Major Growth Drivers

**Adding more organizations in existing markets.** This increases the number of registrations that utilize Active's technology solutions. In its first and most mature customer vertical, triathlons, Active's built a customer base of over 70% of all events in the market. This compares to Active's overall business with 6% of the addressable North American market. We estimate that the other 94% of the market is still using traditional pen and paper methods or generally much less sophisticated automation tools. Active's long-term goal is to have all verticals replicate the success made in penetrating triathlons.

**Increasing online conversion rates.** The company is working to get more of its existing customers' participants to sign up online using Active's digital technology, rather than using traditional analog methods (such as calling, mailing in paper forms, or walking up to register for an activity). Active's leading technology platform and proven ROI is driving a transition to automation in the activity and events space similar to the transition seen in the restaurant and travel space.

**Deepening relationships with existing customers,** driving more participants to events, and more participants online, while also broadening product offerings.

**Acquisitions.** We expect Active to continue to pursue strategic acquisitions to drive growth. To date, the company has a very successful track record of acquiring and integrating companies. We expect Active to look for strategic fits to enter into new markets, expand its technology footprint, and to acquire new customers.

**International expansion.** While Active's international business is still small, representing less than 5% of total revenue, international revenue increased by over 50% in the first half of 2011. We believe that international markets have the same fragmented characteristics, no clear market leader and a similar sized market opportunity as North America. We expect Active to expand its offerings to address this significant market opportunity.

**Recent launch of online affiliate program,** which distributes comprehensive directory of activities and events.

- Allows online marketers and publishers to earn revenue by directing consumers to register for activities on Active.com, while also increasing audience reach.
- Value proposition for the affiliate is they obtain compelling local content, in addition to added revenue via Active's affiliate offering.
- Value proposition for event customers is they can dramatically expand their reach just by using Active's software.
- Platform affiliates include espnW, ESPN's content and digital business initiative for women, a new collaboration exemplifying Active's versatility and the impact that Active.com has on consumers who are a natural audience for its products and services.



Another long-term initiative that could drive growth is the launch of a comprehensive lead generation program, Schwaggle; an e-commerce offering that can help to leverage Active's audience to drive demand for events and activities, again reinforcing why organizers benefit from using Active's software solutions.

This program includes exclusive deals on fitness-related products and services for the Active consumer. It is one of the first programs to distribute offers through both email and Facebook, demonstrating how Active works closely with customers to innovate and strengthen connections with Active's consumers.

# Valuation and Price Target Basis

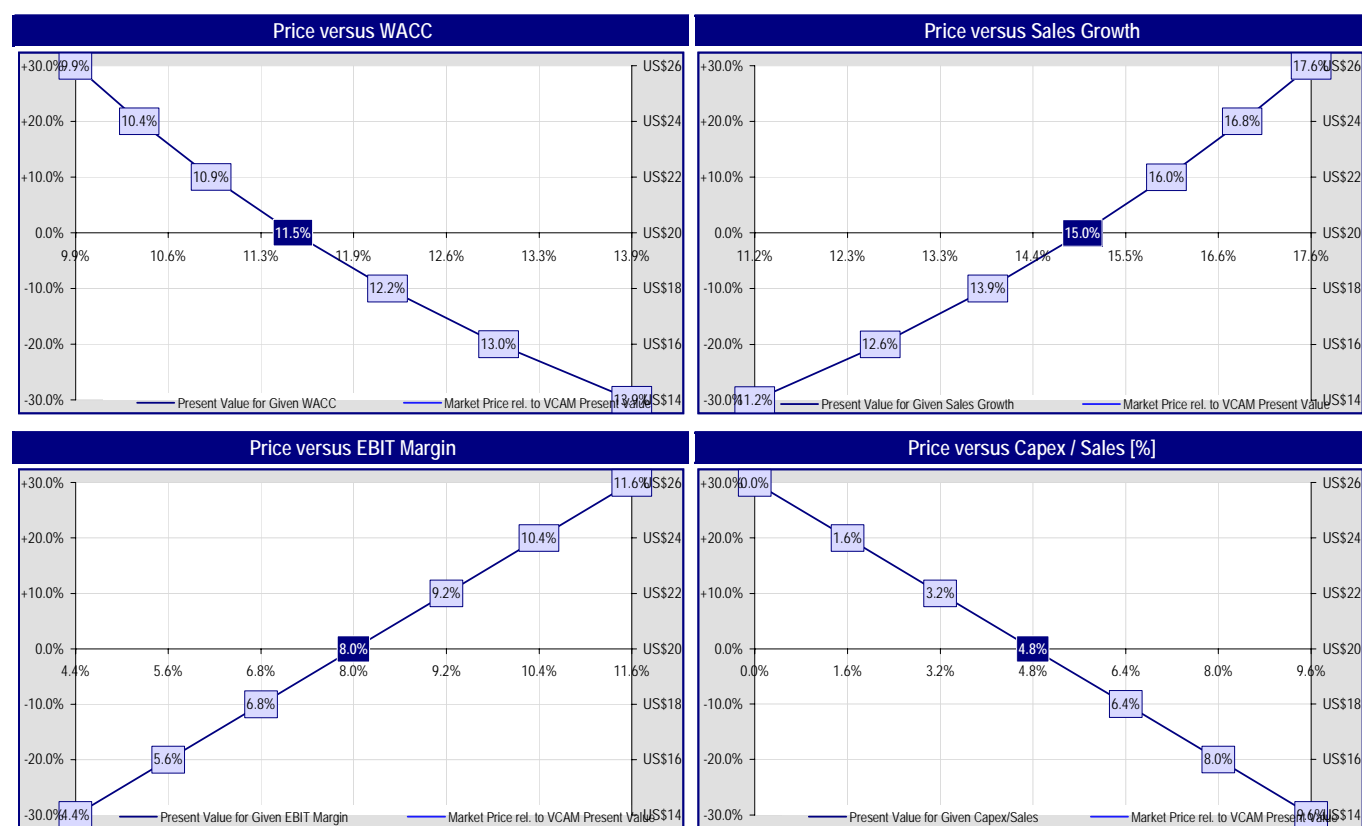
ACTV currently trades at ~10x our 2012E EBITDA and ~8x our 2013E EBITDA vs. our 2011-2014E EBITDA CAGR of 28%.

On P/FCF basis, the stock currently trades at ~20x our 2012E FCF and ~14x our 2013E FCF vs. our 2011-2014E CAGR of 12%.

Our \$22 price target is based on a 10-year DCF and reflects an 11.5% WACC and 4.5% long-term growth rate.

## VCAM Sensitivity Analysis

Chart 8: UBS-VCAM Sensitivities for The Active Network [ACTV.N]



Notes: Sensitivities are derived from assuming Sales Growth, EBIT Margin, or Capex / Sales is flat annually for years 6 through the VCH (year 20). Explicit estimates in years 1 through 5 do not vary, and always represent the assumptions on the Inputs Page. For each chart, one parameter is varied while the others are held constant. Those held constant are set as they appear on the Inputs Page.

Source: UBS-VCAM

## Consensus Expectations

Table 6: UBS vs. Consensus

\$MM except per share	Q4 2011E		FY 2011E		FY 2012E	
	UBS	Consensus	UBS	Consensus	UBS	Consensus
Net Revenue	74.9	74.7	336.3	336.0	391.6	391.5
EBITDA	2.4	2.4	38.1	38.1	52.8	53.6
Operating EPS	-0.17	-0.12	-0.12	-0.38	0.14	-0.03
GAAP EPS	-0.23	-0.23	-0.44	-0.38	0.00	-0.03

Source: FactSet, UBS estimates

# Risk Analysis

## Integration of Recent Acquisitions

Over the past five years, Active Network has acquired more than 25 companies, and five of those were strategic acquisitions that helped it expand into new markets or build competitive moats. As Active grows larger and more complex, we believe that it will become increasingly difficult to integrate new businesses. In addition, expansion into new verticals can impact margins negatively due to the inherent characteristics of the new business and has been the cause of some lumpiness in revenue per registration in the past. For example, revenue per registration and average margins declined noticeably following the acquisition of ReserveAmerica (the US #1 campground reservations provider) in 2009. Campground revenue is inherently much lower per user than, for example, hunting or fishing registration revenue. Campground revenue is also largely the same online vs. off-line but Active has to maintain call centers that put pressure on COGS and contribute to a break-even margin for the vertical overall.

Another example of a possible negative impact on Active's business model comes from the acquisition of Automated License Systems (the US #1 hunting & fishing license and permit technology provider) in 2008. Revenue per registration in this vertical is ~\$3 online, but off-line, it is as low as \$0.90 when users go to a bait & tackle store or a retailer such as Wal-Mart, REI, or Dick's Sporting Goods and purchase the license from a POS terminal or kiosk. While outdoors is the only segment where Active collects revenue both off-line and online, it represents about 40MM of the total 70MM registrations for 2010. Most recently in 3Q11, the company saw a 15% Y/Y increase in registrations (after the implementation of two state contracts, Ohio and California) but revenue per registration increased just 2% Y/Y (down 15% sequentially) and well below the average increase of 6% Y/Y for the prior six quarters.

While the revenue mix each quarter will continue to impact average revenue per registration and result in some lumpiness, we believe that over time the quarterly variability will decline and overall revenue per registration will trend up as customers (in the outdoors segment) migrate online. We project a CAGR of ~12% for the number of registrations and ~4% for average revenue per registration from 2011 to 2015.

**Table 7: Recent Strategic Acquisitions by Active Network**

Acquisition	Year	Motivation	Description
Class Software Solutions	2004	Market Share	#1 provider of SW to Communities/Parks & Recreation
RegOnline	2007	New Market	#1 provider of SaaS solutions to the Event Market
Automated License Systems	2008	New Market	#1 Hunting & Fishing license and permit system provider
ReserveAmerica	2009	Technology	#1 Campground reservation system provider
Fellowship Technologies	2011	New Market	#1 provider of SaaS solutions to faith-based market
RTP	2011	New Market	#1 provider of SaaS solutions to ski resort market

Source: Active Network, UBS

## Inability to Transition Existing Customers to ActiveWorks Platform

Active Network serves a wide range of customers and the majority of them are already on ActiveWorks – the company’s technology platform – at varying levels of integration. The company is also transitioning to ActiveWorks certain customers that are currently using both internally developed and acquired legacy systems. The transition process is time-consuming and requires investment in personnel and technology. Active Network evaluates the level of sophistication and compatibility with its internal systems to determine whether to integrate into ActiveWorks (expanding the platform capabilities) or migrate customers to ActiveWorks (replacing the legacy system with an alternative internal system). Retaining customers, especially in new verticals, thus often requires maintaining multiple legacy systems during the transition period and integrating some legacy systems into ActiveWorks at additional costs. Extended transition periods or inability to transition new and existing customers to ActiveWorks can result in material costs. Additionally, the bulk of operating margin improvement (and long-term management guidance) assumes a comprehensive integration of the acquired technology, a process that management estimates could take about 2-3 years. Still, the recent appointment of 20-year global technology veteran Darko Dejanovic as Chief Technology, Product and Innovation Officer should help the company accelerate this process. Mr. Dejanovic has extensive expertise in growing global B2B and B2C technology and online media companies, which should be instrumental in advancing Active Network’s technological innovation and growth.

## New Business Model and Limited History of Profitability

Since its inception in 1998, Active Network has had only one (2Q11) profitable quarter. In addition, it has made various changes to its platform and offerings over time and as a result has a very limited operating history with its current business model. Although execution by management has been very strong, we think some risk of disruption in the business model remains. While Active’s relations with existing customers tend to be strong, its business model is easily replicable. Established technology companies in the SaaS enterprise software space (Salesforce.com, Blackboard) and companies in the event ticketing space (LiveNation) are a handful of possible competitors. However, we believe this possibility is remote, as the time and cost to build a customer base that supports a profitable business model are not immaterial (Active has 10+ years of experience and a solid customer base of 47,000+ organizations in the US).

In terms of profitability, Active Network already generates positive FCF (on an annual basis) but its first positive net income quarter was 2Q11. We expect continuing losses in the near term and GAAP net income profitability (on an annual basis) in 2012.

Table 8: Summary Financial Metrics

	Q1 10A	Q2 10A	Q3 10A	Q4 10A	Q1 11A	Q2 11A	Q3 11A	Q4 11E	F2010A	F2011E	F2012E	F2013E
<b>Total Net Revenue</b>	<b>63,222</b>	<b>81,662</b>	<b>73,093</b>	<b>61,623</b>	<b>72,712</b>	<b>99,005</b>	<b>89,628</b>	<b>74,947</b>	<b>279,600</b>	<b>336,292</b>	<b>391,576</b>	<b>454,423</b>
% Y/Y Growth	--	--	--	--	15%	21%	23%	22%	15%	20%	16%	16%
<b>Gross Profit</b>	<b>35,194</b>	<b>47,624</b>	<b>41,994</b>	<b>33,530</b>	<b>38,578</b>	<b>58,857</b>	<b>49,790</b>	<b>40,334</b>	<b>158,342</b>	<b>187,559</b>	<b>222,108</b>	<b>262,206</b>
% Margin	56%	58%	57%	54%	53%	59%	56%	54%	57%	56%	57%	58%
<b>Adjusted Operating Income</b>	<b>(8,099)</b>	<b>1,969</b>	<b>(901)</b>	<b>(8,136)</b>	<b>(8,101)</b>	<b>9,569</b>	<b>1,558</b>	<b>(9,112)</b>	<b>(15,167)</b>	<b>(6,086)</b>	<b>16,111</b>	<b>31,028</b>
% Margin	(13%)	2%	(1%)	(13%)	(11%)	10%	2%	(12%)	(5%)	(2%)	4%	7%
% Y/Y Growth	--	--	--	--	--	386%	--	--	--	--	--	93%
<b>GAAP Operating Income</b>	<b>(9,888)</b>	<b>565</b>	<b>(2,250)</b>	<b>(8,942)</b>	<b>(8,845)</b>	<b>7,501</b>	<b>(412)</b>	<b>(12,319)</b>	<b>(20,515)</b>	<b>(14,075)</b>	<b>7,535</b>	<b>22,022</b>
% Margin	(16%)	1%	(3%)	(15%)	(12%)	8%	(0%)	(16%)	(7%)	(4%)	2%	5%
<b>EBITDA</b>	<b>1,084</b>	<b>11,843</b>	<b>9,329</b>	<b>2,864</b>	<b>2,570</b>	<b>20,406</b>	<b>12,704</b>	<b>2,446</b>	<b>25,120</b>	<b>38,126</b>	<b>52,755</b>	<b>67,039</b>
% Margin	2%	15%	13%	5%	4%	21%	14%	3%	9%	11%	13%	15%
% Y/Y Growth	--	--	--	--	137%	72%	36%	(15%)	60%	52%	38%	27%
<b>Operating Net Income / (Loss)</b>	<b>(10,617)</b>	<b>2,410</b>	<b>444</b>	<b>(8,286)</b>	<b>(10,198)</b>	<b>10,221</b>	<b>3,140</b>	<b>(11,129)</b>	<b>(16,049)</b>	<b>(7,966)</b>	<b>8,724</b>	<b>22,475</b>
% Margin	(17%)	3%	1%	(13%)	(14%)	10%	4%	(15%)	(6%)	(2%)	2%	5%
% Y/Y Growth	--	--	--	--	--	324%	607%	--	--	--	--	158%
<b>GAAP Net Income / (Loss)</b>	<b>(19,279)</b>	<b>(8,840)</b>	<b>(10,889)</b>	<b>(16,421)</b>	<b>(18,352)</b>	<b>1,129</b>	<b>(1,432)</b>	<b>(14,337)</b>	<b>(55,429)</b>	<b>(28,004)</b>	<b>147</b>	<b>13,470</b>
% Margin	(30%)	(11%)	(15%)	(27%)	(25%)	1%	(2%)	(19%)	(20%)	(8%)	0%	3%

Source: Company reports, UBS estimates

## Organizers Bringing Registrations In-House

While we believe this is currently remote, the possibility that some event organizers may decide to bring their registrations in-house (rather than pay a 6.5% processing fee) remains a threat to the company's business model. Generally, Active's contracts for technology services are exclusive 3-year agreements and customers tend to be very sticky. In addition, currently, no single customer contributes more than 5% of total revenue and the eventual loss of a big one should not have an unmanageable impact on the company.

## Deterioration of State / Municipal Budgets and Tough Government Agency Customers' Requirements

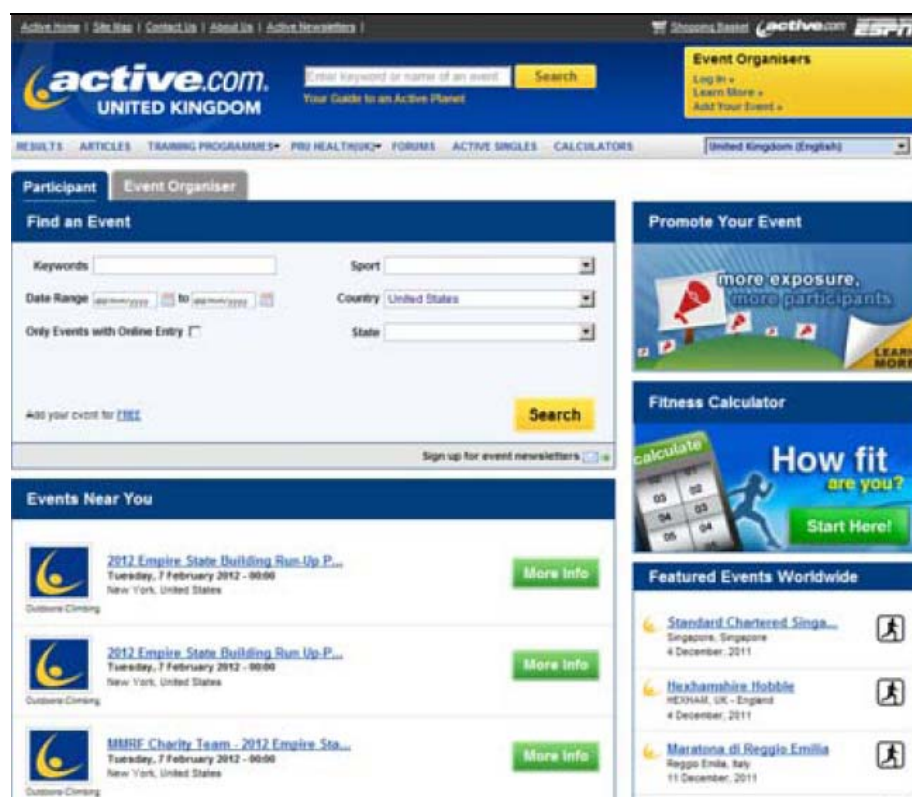
Continued state and municipal fiscal problems can have a negative impact on Active's business if they result in the closing of state / municipal parks and facilities serviced by the company. According to management, closures so far (particularly in California) have affected only non-revenue producing properties but continued budget deterioration can change this rapidly. In addition, many government agency customers impose additional requirements such as custom application features and service requirements (e.g. live call centers in certain states) that incur additional costs and can negatively impact margin expansion. While a lot of Active's solutions actually generate revenue for the states, continued state and local budgetary pressure could have an impact if revenue-generating state sites are closed.

## Limited Exposure to International Markets

Currently, only a small fraction of Active Network's revenue comes from international sources. For 3Q11, the company reported just \$2.8MM in international sales (almost \$8MM for the first three quarters of the year), or about 3% of total. While this revenue stream grows faster than Active's domestic revenues (per management, 75% CAGR for 2005-2010), having 97% exposure to a single geographic area leaves the company overly dependent on North America. Whereas the company initially just followed some of its large

domestic customers into Europe (France, Germany, and the UK) and APAC (Australia and Singapore), current management plans include a more proactive approach to international expansion.

Figure 3: UK Website for Active.com



Source: Active Network

## Forthcoming Catalysts

There are just a few events in the near to mid-term which we believe could become a catalyst for the stock. Among them is the company's 4Q CY2011 earnings call expected in the second week of February 2012. In the meantime, any announcement of a major contract win, update on the progress of recent acquisitions' integration (especially Resort Technology Partners and Fellowship Technologies), and news of successful transition of customers to ActiveWorks can act as a catalyst for the stock.

## Company Overview

Active Network (NYSE: ACTV) is the leading provider of organization-based cloud computing applications. It provides technology and marketing solutions for event organizers, community organizations, and consumer brands. Active supports a broad range of activities, such as reserving a campsite or tee time, signing up for a marathon or sports league, purchasing a fishing or hunting license, or participating in a community event or corporate conference. *Active Network leverages its proprietary technology platform, ActiveWorks, to provide cloud computing applications that reduce the cost and complexity of managing, organizing, and promoting activities by replacing low-tech and manual processes.* The company was incorporated in California in October 1998 as Racegate.com and became a Delaware corporation in July 1999. The company was renamed The Active Network in May 2001 and its headquarters are located in San Diego, California.

Active Network has over **47,000 customer organizations** and drives over **70MM** annual consumer registrations. A host of public and private organizations run all of their event operations on Active's systems, including local school districts, community churches, golf courses, YMCAs, triathlon organizations, state camp sites, and large corporations such as Cisco and Oracle.

Active Network's mission is:

*"To power the world's activities and connect people with the things they love, want and need to do."*

Table 9: Active Network Customer Verticals

Sports	Community Activities	Outdoors	Business Events
Endurance Events	Parks & Recreation Departments	State Campgrounds	Conferences
Leagues & Teams	Schools & Districts	National Parks	Conventions
Golf Courses	City & County Governments	Fishing Licenses	Association Gatherings
Clubs	Camps & Retreats	Hunting Permits	Meetings & Seminars
Tournaments	Faith-Based Organizations	Marinas	Trade Shows & Expos

Source: Company reports

Active Network signs contracts with organizations to provide them with event and group management solutions that enable participants to register for their activity. The company generates revenue from technology fees paid by participants who register through Active's cloud computing applications for activities organized by Active Network customers. The technology fee is a percentage of the total registration amount paid by a participant at the time of sign-up. The consumer is charged the total event registration fee, including the technology fee. Technology fees are referred to as net registration revenue, since they are the direct result of participant registrations.

Active Network has pursued a growth strategy focused on growing the number of customers it serves and increasing participant usage of online registration services by training customers in the execution of conversion techniques. The company plans to deepen its relationships with existing customers, pursue strategic acquisitions to strengthen market position, and expand internationally.



Figure 4: Active.com US Website

The figure displays four screenshots from the Active.com website, illustrating various running and triathlon events and their registration processes.

**Top Left Screenshot:** The Active.com homepage. It features a search bar at the top with the text "New York, NY" and a "Search" button. Below the search bar, it states "Active is 3,200 parks and recreation activities". A section titled "Active Near You" lists several running events, including "10K Run Series", "10K Run Series", "10K Run Series", "10K Run Series", "10K Run Series", and "10K Run Series". A map shows the location of these events. A sidebar on the right lists "National Features" such as "10K Run Series", "10K Run Series", "10K Run Series", "10K Run Series", "10K Run Series", and "10K Run Series".

**Top Right Screenshot:** The Big Sur International Marathon registration page. It features a banner image of runners on a trail. The page title is "Big Sur International Marathon". Below the title, it lists "Registration Steps" and "Please Select:" with a list of race distances: "Marathon", "Boston 2 Big Sur Challenge", "21 Mile", "10.6 Mile", "9 Mile", "Big Sur 5K", "JUST RUN! Just Kids 3K", "Relay Team Registration", and "Elite Runners". A "Continue" button is at the bottom.

**Bottom Left Screenshot:** The Ironman 70.3 Muskoka registration page. It features a banner image of a triathlete. The page title is "IRONMAN 70.3 MUSKOKA". Below the title, it lists "Race Date: July 8, 2012" and "Race Date: July 8, 2012". A table lists "Registration" and "Event Info" with columns for "Volunteer", "In Community", "Travel", "NYC in Good Green", "Animal Medical Center Dog/Back", "Training", and "NYC in Store". A "Register Now" button is at the bottom.

**Bottom Right Screenshot:** The New York City Triathlon registration page. It features a banner image of a triathlete. The page title is "NEW YORK CITY TRIATHLON". Below the title, it lists "Race Date: July 8, 2012" and "Race Date: July 8, 2012". A table lists "Registration" and "Event Info" with columns for "Volunteer", "In Community", "Travel", "NYC in Good Green", "Animal Medical Center Dog/Back", "Training", and "NYC in Store". A "Register Now" button is at the bottom.

Source: Active Network, Active.com, UBS

# Management Profile

Table 10: Management Profile

Name	Title	Age	Experience
Dave Alberga	Chief Executive Officer	48	CitySearch, Linear Technology, Silicon Valley Technology, Boston Consulting Group, Procter & Gamble; MBA Stanford, BS US Military Academy at West Point
Matt Landa	President	46	ACT Manufacturing, CMC Industries, Monitor; MBA Stanford, BS Dartmouth
Scott Mendel	Chief Financial Officer	44	General Electric; MBA Northwestern, BS Indiana
Jon Belmonte	Chief Media Officer	43	LeagueLink, Boston Consulting Group; MBA Northwestern, BSE Pennsylvania
Matt Ehrlichman	Chief Strategy Officer	31	Thrive; MS & BS Stanford
Kourosh Vossoughi	Chief Legal Officer, General Counsel and Senior Vice President of Business Development	42	Brobeck, Phleger & Harrison, Luce, Forward, Hamilton & Scripps; JD San Diego School of Law, BA UC Berkeley
Darko Dejanovic	Chief Technology, Product and Innovation Officer	--	Monster Worldwide, Tribune Company, Tribune Publishing; MBA Northwestern, BS Florida Metropolitan
Alex Barnetson	Executive Vice President, Sales & Senior General Manager, State & Federal	49	Class Software Solutions; BS Simon Fraser University
Sheryl Roland	Executive Vice President, Human Resources	55	Visual Sciences, Encad, The Upper Deck Company, Taco Bell Corporate, GE/Calma; MS San Jose State, BA UCLA

Source: Company reports

**Dave Alberga** has served as CEO since November 1999 and as Chairman of the Board since February 2011. Prior to Active Network, Mr. Alberga worked in several roles at TicketMaster Online – CitySearch including COO. He also worked in senior management roles at Linear Technology Corporation, Silicon Valley Technology (SVT), and consulting and brand management at Boston Consulting Group and Procter & Gamble Company. He currently serves on the board of directors for Running USA, ShoeDazle, and Kabam. He holds an MBA and MA from Stanford University, and a BS from United States Military Academy.

**Matt Landa** has served as President since February 2002, as Director since November 2005, and as Chief Commerce Officer from March 2000 to February 2002. Prior to Active Network, Mr. Landa served as President of ACT Manufacturing from June 1999 to March 2000 and as President and CEO of CMC Industries from 1995 to June 1999. He has also worked as an Associate at Monitor Company. He holds an MBA from Stanford University and a BS from Dartmouth College.

**Scott Mendel** has served as CFO since March 2010. Prior to Active Network, Mr. Mendel worked in several roles at General Electric, including CFO of GE Healthcare's IT division. He holds an MBA from Northwestern University and a BS from Indiana University.

**Darko Dejanovic** serves as Chief Technology, Product and Innovation Officer at Active Network. Prior to Active Network, Mr. Dejanovic served as EVP, global CIO, and head of product at Monster Worldwide for four years. Mr. Dejanovic also held CTO roles at the Tribune Company and its subsidiary, Tribune Publishing Company for more than a decade. Early in his career, Mr. Dejanovic held senior technology roles in the US and Europe. He holds an MBA from Northwestern University and a BS in Computer Science from Florida Metropolitan University.

**Jon Belmonte** has served as Chief Media Officer since February 2011 and as Chief Operating Officer from April 2000 to February 2011. Prior to Active Network, Mr. Belmonte was a co-founder and Vice President of Strategy & Business Development of LeagueLink. Prior to LeagueLink, Mr. Belmonte served as a Strategy Consultant for Boston Consulting Group. He holds an MBA from Northwestern University and a BS from Pennsylvania University.

**Matt Ehrlichman** has served as Chief Strategy Officer since February 2011 and as Executive Vice President of Strategy from March 2010 to February 2011. Prior to Active Network, Mr. Ehrlichman was a co-founder and CEO of Thriva, acquired by Active Network in March 2007. He holds an MS and a BS from Stanford University.

**Alex Barnetson** has served as Executive Vice President of Sales since November 2009, as Senior Vice President of Active Technologies from September 2007 to November 2009, and as Senior Vice President of Community Services from October 2004 to August 2007. Prior to that, Mr. Barnetson held various management positions at Class Software Solutions, acquired by Active Network in October 2004, including President and COO. Previously, he worked with community recreation organizations and served as a director of the Canadian Parks & Recreation Association and Simon Fraser University Alumni Association. He holds a BS from Simon Fraser University.

**Sheryl Roland** has served as Executive Vice President of Human Resources from March 2008 January 2011 and as Senior Vice President from April 2000 to February 2008. Previously, Ms. Roland held senior management positions at Visual Sciences, Encad and The Upper Deck Company. She also worked in Taco Bell Corporate and GE/Calma. She holds an MS from San Jose State University and a BS from the University of California, Los Angeles.

**Kourosh Vossoughi** is Chief Legal Officer, General Counsel, and Senior Vice President of Business Development at Active Network. Mr. Vossoughi has served as Senior Vice President of Business Development since 2000 and as Secretary since 2001. Prior to Active Network, he has served as an Associate at Brobeck, Phleger & Harrison from 1998 to 2000 and as an Associate at Luce, Forward, Hamilton & Scripps from 1996 to 1998. He holds a JD from the University of San Diego, School of Law, and a BA from the University of California, Berkeley.

# Environmental, Social, and Governance Issues

Table 11: UBS Proprietary ESG Sector Questionnaire

Key Questions	Issues
The most important core drivers	New customers, number of registrations, % of registrations completed online, revenue per registration.
The most important financial metrics	Revenue growth, segment revenue growth, operating costs.
The most important environmental or social issues that could affect 1 and 2?	Attempts to disrupt services or obtain sensitive information could impact online registrations growth, which is a key driver of financial performance. The overall level of event registrations could be impacted by adverse macro-economic conditions in the US and abroad.
The most important governance issues that could affect 1 and 2	Unsuitable acquisitions could hurt margins / profitability and distract management.
The greatest opportunities and risks (business as usual) for firms in the industry?	Opportunities exist in expanding into new verticals, increasing penetration into existing ones, and driving more registrations from the off-line to the online channel. The greatest risks are competition and effective cost controls.
Potential environmental, social, or governance catalysts	Interruption in services as a result of natural disasters or power outages, diminished reputation because of privacy/information concerns, continued macro-economic headwinds.

Source: UBS

Overall, we believe the environmental and social risks for Active Network are very low. In our view, the primary social risk is a potential hacking to disrupt services or illicitly obtain private data. While they have been diminished lately, we have seen instances of corporate websites taken down by hackers, typically using relatively simple DDoS (Distributed Denial of Service) attacks. In most prior attacks, the websites and services were restored quickly (Sony is an exception), with no lasting effects on operations. Should Active Network fail to protect member privacy and prevent service disruptions, it could face legal implications and lose the confidence of both customer organizations and event participants.

While it is minimal, as the company does not consume significant resources, the principal environmental issue related to Active Network is the consumption of electricity necessary to support its IT infrastructure. Active's dependence on energy to power its servers is also a potential risk if any type of outage occurs and disrupts the availability of its services/websites for its users. The company does not disclose any information relating to its CO2 emissions. Recently, activist shareholders of Amazon have voiced concerns over the company's consumption of raw materials and energy and insisted that it make public the environmental impact of its operations. However, these issues have had no implications for Amazon and we believe the risk to Active Network shareholders is also very low.

# Financial Model

Table 12: ACTV Income Statement (\$000s)

	F2011				F2012				F2010A	F2011E	F2012E	F2013E
	Q1 11A	Q2 11A	Q3 11A	Q4 11E	Q1 12E	Q2 12E	Q3 12E	Q4 12E				
Technology Revenue	\$63,108	\$85,553	\$76,341	\$63,627	\$72,687	\$100,243	\$89,013	\$73,498	\$237,688	\$288,629	\$335,441	\$388,183
Marketing Services Revenue	\$9,604	\$13,452	\$13,287	\$11,319	\$11,160	\$16,008	\$15,679	\$13,289	\$41,912	\$47,662	\$56,135	\$66,240
<b>Total Net Revenue</b>	<b>\$72,712</b>	<b>\$99,005</b>	<b>\$89,628</b>	<b>\$74,947</b>	<b>\$83,847</b>	<b>\$116,251</b>	<b>\$104,692</b>	<b>\$86,787</b>	<b>\$279,600</b>	<b>\$336,292</b>	<b>\$391,576</b>	<b>\$454,423</b>
% Y/Y Growth	15%	21%	23%	22%	15%	17%	17%	16%	15%	20%	16%	16%
% Q/Q Growth	18%	36%	(9%)	(16%)	12%	39%	(10%)	(17%)	--	--	--	--
Cost of Technology Revenue	32,988	38,707	38,291	33,086	36,998	44,508	42,281	38,586	115,148	143,072	162,373	184,375
Cost of Marketing Services Revenue	1,162	1,480	1,599	1,596	1,395	1,905	2,007	1,980	6,203	5,837	7,287	8,043
<b>Total Cost of Net Revenue</b>	<b>34,134</b>	<b>40,148</b>	<b>39,838</b>	<b>34,613</b>	<b>38,369</b>	<b>46,370</b>	<b>44,241</b>	<b>40,490</b>	<b>121,258</b>	<b>148,733</b>	<b>169,468</b>	<b>192,217</b>
% Y/Y Growth	22%	18%	28%	23%	12%	15%	11%	17%	13%	23%	14%	13%
% Q/Q Growth	22%	18%	(1%)	(13%)	11%	21%	(5%)	(8%)	--	--	--	--
<b>Gross Profit</b>	<b>\$38,578</b>	<b>\$58,857</b>	<b>\$49,790</b>	<b>\$40,334</b>	<b>\$45,478</b>	<b>\$69,882</b>	<b>\$60,451</b>	<b>\$46,297</b>	<b>\$158,342</b>	<b>\$187,559</b>	<b>\$222,108</b>	<b>\$262,206</b>
% Margin	53.1%	59.4%	55.6%	53.8%	54.2%	60.1%	57.7%	53.3%	56.6%	55.8%	56.7%	57.7%
Sales and Marketing	16,753	18,338	16,839	17,802	18,388	21,916	20,864	19,185	58,650	69,732	80,353	93,113
Research and Development	16,058	16,174	17,313	18,106	17,635	18,116	18,355	18,471	60,749	67,651	72,577	80,472
General and Administrative	10,165	11,058	10,411	10,044	10,212	11,639	10,582	9,205	37,963	41,678	41,638	47,829
Amortization of Intangibles	3,703	3,718	3,669	3,494	3,053	2,863	2,786	2,725	16,147	14,584	11,428	9,765
Stock Based Compensation	744	2,068	1,970	3,208	1,079	1,965	2,069	3,465	5,348	7,990	8,576	9,005
<b>Adjusted Operating Income</b>	<b>(\$8,101)</b>	<b>\$9,569</b>	<b>\$1,558</b>	<b>(\$9,112)</b>	<b>(\$3,810)</b>	<b>\$15,348</b>	<b>\$7,863</b>	<b>(\$3,290)</b>	<b>(\$15,167)</b>	<b>(\$6,086)</b>	<b>\$16,111</b>	<b>\$31,028</b>
% Margin	(11%)	10%	2%	(12%)	(5%)	13%	8%	(4%)	(5%)	(2%)	4%	7%
% Y/Y Growth	--	386	--	--	--	60	405	--	--	--	--	93
% Q/Q Growth	--	--	(84)	(685)	--	--	(49)	(142)	--	--	--	--
<b>EBITDA</b>	<b>\$2,570</b>	<b>\$20,406</b>	<b>\$12,704</b>	<b>\$2,446</b>	<b>\$6,170</b>	<b>\$24,600</b>	<b>\$16,753</b>	<b>\$5,232</b>	<b>\$25,120</b>	<b>\$38,126</b>	<b>\$52,755</b>	<b>\$67,039</b>
% Margin	3.5%	20.6%	14.2%	3.3%	7.4%	21.2%	16.0%	6.0%	9.0%	11.3%	13.5%	14.8%
% Y/Y Growth	137	72	36	(15)	140	21	32	114	60	52	38	27
% Q/Q Growth	(10)	694	(38)	(81)	152	299	(32)	(69)	--	--	--	--
Net Interest (Income) and Other (Income)	1,305	1,184	110	1,099	936	925	917	24	4,833	3,698	2,801	2,578
<b>Adjusted Pre-Tax Profit / (Loss)</b>	<b>(\$9,406)</b>	<b>\$8,385</b>	<b>\$1,448</b>	<b>(\$10,210)</b>	<b>(\$4,745)</b>	<b>\$14,423</b>	<b>\$6,946</b>	<b>(\$3,314)</b>	<b>(\$20,000)</b>	<b>(\$9,783)</b>	<b>\$13,310</b>	<b>\$28,450</b>
% Effective Tax Rate	(8%)	(21%)	(107%)	(9%)	(23%)	21%	11%	9%	14%	16%	34%	21%
Provision / (Benefit) for Income Taxes	792	788	910	919	1,091	3,029	764	(298)	1,924	3,409	4,586	5,974
Tax Adjustments for Non-GAAP Items	0	(2,527)	(2,461)	0	0	0	0	0	(4,646)	(4,988)	0	0
Other / Amortization of Intangibles in COGS	0	(97)	(141)	0	0	0	0	0	(1,229)	(238)	0	0
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Net Income / (Loss)</b>	<b>(\$10,198)</b>	<b>\$10,221</b>	<b>\$3,140</b>	<b>(\$11,129)</b>	<b>(\$5,837)</b>	<b>\$11,394</b>	<b>\$6,182</b>	<b>(\$3,016)</b>	<b>(\$16,049)</b>	<b>(\$7,966)</b>	<b>\$8,724</b>	<b>\$22,475</b>
% Margin	(14%)	10%	4%	(15%)	(7%)	10%	6%	(3%)	(6%)	(2%)	2%	5%
% Y/Y Growth	--	324	607	--	--	11	97	--	--	--	--	158
% Q/Q Growth	--	--	(69)	(454)	--	--	(46)	(149)	--	--	--	--
Accretion of redeemable convertible preferred	7,410	4,400	0	0	0	0	0	0	28,157	11,810	0	0
Other / Amortization of Intangibles in COGS	0	97	141	0	0	0	0	0	1,229	238	0	0
Tax Effect of Non-GAAP Entries	0	2,527	2,461	0	0	0	0	0	4,646	0	0	0
<b>Reported GAAP Net Income / (Loss)</b>	<b>(\$18,352)</b>	<b>\$1,129</b>	<b>(\$1,432)</b>	<b>(\$14,337)</b>	<b>(\$6,916)</b>	<b>\$9,430</b>	<b>\$4,114</b>	<b>(\$6,480)</b>	<b>(\$55,429)</b>	<b>(\$28,004)</b>	<b>\$147</b>	<b>\$13,470</b>
% Margin	(25%)	1%	(2%)	(19%)	(8%)	8%	4%	(7%)	(20%)	(8%)	0%	3%
% Y/Y Growth	--	--	--	--	--	735	--	--	--	--	--	9,039
% Q/Q Growth	--	--	(227)	--	--	--	(56)	(258)	--	--	--	--
Weighted Avg. Diluted Shares Outstanding	8,617	36,877	53,701	63,631	63,845	64,124	64,435	64,909	7,080	63,907	64,195	64,476
<b>Operating EPS</b>	<b>(\$1.18)</b>	<b>\$0.18</b>	<b>\$0.05</b>	<b>(\$0.17)</b>	<b>(\$0.09)</b>	<b>\$0.18</b>	<b>\$0.10</b>	<b>(\$0.05)</b>	<b>(\$2.27)</b>	<b>(\$0.12)</b>	<b>\$0.14</b>	<b>\$0.35</b>
% Y/Y Growth	--	239%	421%	--	--	(0%)	92%	--	--	--	--	157%
% Q/Q Growth	--	--	(72)	(450)	--	--	(46)	(148)	--	--	--	--
<b>Reported GAAP EPS</b>	<b>(\$2.13)</b>	<b>\$0.03</b>	<b>(\$0.03)</b>	<b>(\$0.23)</b>	<b>(\$0.11)</b>	<b>\$0.15</b>	<b>\$0.06</b>	<b>(\$0.10)</b>	<b>(\$7.83)</b>	<b>(\$0.44)</b>	<b>\$0.00</b>	<b>\$0.21</b>
% Y/Y Growth	--	--	--	--	--	380%	--	--	--	--	--	8,999%
% Q/Q Growth	--	--	(187)	--	--	--	(57)	(256)	--	--	--	--

Source: Company data, UBS estimates

Table 13: ACTV Balance Sheet (\$000s)

	F2011				F2012				F2010A	F2011E	F2012E	F2013E
	Q1 11A	Q2 11A	Q3 11A	Q4 11E	Q1 12E	Q2 12E	Q3 12E	Q4 12E				
Cash & Cash Equivalents	\$60,831	\$157,507	\$139,023	\$125,843	\$131,981	\$169,683	\$162,395	\$141,019	\$31,441	\$125,843	\$141,019	\$180,877
Short-Term Marketable Securities	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable, net	45,776	55,706	61,192	45,497	52,027	71,871	66,179	53,763	34,096	45,497	53,763	61,935
Inventories	0	1,810	1,102	625	873	1,313	1,065	938	0	625	938	935
Prepaid Expenses and Other Current Assets	4,879	5,048	4,914	5,058	5,066	5,581	5,381	5,079	4,181	5,058	5,079	5,869
<b>Current Assets</b>	<b>\$111,486</b>	<b>\$220,071</b>	<b>\$206,231</b>	<b>\$177,023</b>	<b>\$189,947</b>	<b>\$248,449</b>	<b>\$235,020</b>	<b>\$200,799</b>	<b>\$69,718</b>	<b>\$177,023</b>	<b>\$200,799</b>	<b>\$249,617</b>
Restricted Cash	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Property and Equipment, net	27,495	26,919	28,936	26,104	24,691	24,758	25,114	25,551	28,181	26,104	25,551	28,972
Software Development Costs	39,548	42,188	43,620	44,584	45,859	48,203	49,664	50,180	37,013	44,584	50,180	46,705
Long-Term Investments	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill	213,513	213,406	213,357	213,357	213,357	213,357	213,357	213,357	207,113	213,357	213,357	213,357
Intangible Assets	40,401	35,162	32,429	29,814	27,659	25,743	23,972	22,265	41,208	29,814	22,265	16,593
Deposits and Other Assets	3,261	2,212	2,040	2,628	2,590	2,629	2,580	2,516	2,315	2,628	2,516	2,981
<b>Total Assets</b>	<b>\$440,704</b>	<b>\$544,958</b>	<b>\$531,613</b>	<b>\$498,510</b>	<b>\$509,103</b>	<b>\$568,139</b>	<b>\$554,707</b>	<b>\$519,667</b>	<b>\$390,548</b>	<b>\$498,510</b>	<b>\$519,667</b>	<b>\$563,224</b>
Accounts Payable	\$6,370	\$5,044	\$4,503	\$5,335	\$5,558	\$6,233	\$6,044	\$5,770	\$5,372	\$5,335	5,770	\$6,719
Registration Fees Payable	81,191	99,566	76,172	68,053	81,335	108,509	95,828	80,859	40,667	68,053	80,859	92,898
Accrued Expenses	39,552	31,715	36,103	37,226	36,869	39,440	39,081	36,785	32,172	37,226	36,785	42,861
Deferred Revenue	36,145	46,115	52,672	39,394	43,520	60,978	56,452	45,746	34,013	39,394	45,746	53,160
Current Portion of Debt	14,092	0	0	0	0	0	0	0	16,866	0	0	0
Capital Lease Obligations - Current	2,133	1,997	2,906	2,399	2,402	2,700	2,722	2,461	1,983	2,399	2,461	2,813
Other Current Liabilities	1,735	2,564	2,576	2,246	2,317	2,698	2,568	2,364	1,630	2,246	2,364	2,668
Dividends Payable	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>\$181,218</b>	<b>\$187,001</b>	<b>\$174,932</b>	<b>\$154,653</b>	<b>\$172,002</b>	<b>\$220,557</b>	<b>\$202,694</b>	<b>\$173,985</b>	<b>\$132,703</b>	<b>\$154,653</b>	<b>\$173,985</b>	<b>\$201,119</b>
Long-Term Debt	27,060	0	0	0	0	0	0	0	27,537	0	0	0
Capital Lease Obligations - LT	1,043	968	649	1,179	977	1,046	1,003	1,016	1,663	1,179	1,016	1,273
Other Long-Term Liabilities	5,080	5,325	5,644	5,419	5,464	6,074	5,901	5,505	4,353	5,419	5,505	6,323
Deferred Tax Liability	18,952	19,703	19,556	19,556	19,556	19,556	19,556	19,556	17,960	19,556	19,556	19,556
<b>Total Liabilities</b>	<b>\$233,353</b>	<b>\$212,997</b>	<b>\$200,781</b>	<b>\$180,806</b>	<b>\$197,999</b>	<b>\$247,233</b>	<b>\$229,154</b>	<b>\$200,061</b>	<b>\$184,216</b>	<b>\$180,806</b>	<b>\$200,061</b>	<b>\$228,271</b>
Convertible Preferred Stock	21,187	0	0	0	0	0	0	0	21,187	0	0	0
Redeemable Convertible Preferred Stock	378,536	0	0	0	0	0	0	0	371,126	0	0	0
Common Stock	11	55	55	55	55	55	55	55	9	55	55	55
Treasury Stock	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)	(11,959)
Accumulated Other Comprehensive Income	10,317	10,038	7,318	7,318	7,318	7,318	7,318	7,318	8,866	7,318	7,318	7,318
Additional Paid-in Capital	75,732	599,171	602,194	602,720	602,720	602,720	602,788	602,841	65,224	602,720	602,841	602,841
Accumulated Deficit	(266,473)	(265,344)	(286,776)	(280,431)	(287,030)	(277,229)	(272,649)	(278,649)	(248,121)	(280,431)	(278,649)	(263,303)
<b>Shareholders' Equity</b>	<b>\$207,351</b>	<b>\$331,961</b>	<b>\$330,832</b>	<b>\$317,704</b>	<b>\$311,104</b>	<b>\$320,905</b>	<b>\$325,553</b>	<b>\$319,606</b>	<b>\$206,332</b>	<b>\$317,704</b>	<b>\$319,606</b>	<b>\$334,953</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>\$440,704</b>	<b>\$544,958</b>	<b>\$531,613</b>	<b>\$498,510</b>	<b>\$509,103</b>	<b>\$568,139</b>	<b>\$554,707</b>	<b>\$519,667</b>	<b>\$390,548</b>	<b>\$498,510</b>	<b>\$519,667</b>	<b>\$563,224</b>

Source: Company data, UBS estimates

Table 14: ACTV Cash Flow Statement (\$000s)

	F2011				F2012				F2010A	F2011E	F2012E	F2013E
	Q1 11A	Q2 11A	Q3 11A	Q4 11E	Q1 12E	Q2 12E	Q3 12E	Q4 12E				
Net Income	(\$10,942)	\$5,529	(\$1,432)	(\$14,337)	(\$6,916)	\$9,430	\$4,114	(\$6,480)	(\$27,272)	(21,182)	147	\$13,470
Depreciation and Amortization	10,671	10,837	11,146	11,558	9,980	9,252	8,890	8,522	40,287	44,212	36,644	36,012
(Gain) Loss on Disposition of Assets	0	0	0	0	0	0	0	0	46	0	0	0
(Gain) Loss on Business Combination	0	0	0	0	0	0	0	0	(21)	0	0	0
Restricted Cash	0	0	0	0	0	0	0	0	0	0	0	0
Accretion of Discount on Debt	113	78	0	0	0	0	0	0	1,055	191	0	0
Earnings in Unconsolidated Equity Interests	0	0	0	0	0	0	0	0	0	0	0	0
Stock-Based Compensation	744	2,068	1,970	3,208	1,079	1,965	2,069	3,465	5,348	7,990	8,576	9,005
Allowance for Doubtful Accounts	338	150	102	682	316	371	466	480	1,191	1,272	1,635	1,876
Other / Charges	0	538	0	0	0	0	0	0	0	538	0	0
<b>Funds From Operations</b>	<b>\$924</b>	<b>\$19,200</b>	<b>\$11,786</b>	<b>\$1,111</b>	<b>\$4,459</b>	<b>\$21,018</b>	<b>\$15,538</b>	<b>\$5,987</b>	<b>\$20,634</b>	<b>\$33,021</b>	<b>\$47,002</b>	<b>\$60,363</b>
(Inc.) Dec. in Accounts Receivable	(11,704)	(10,093)	(5,757)	15,695	(6,530)	(19,844)	5,692	12,416	(8,028)	(11,859)	(8,266)	(8,173)
(Inc.) Dec. in Inventories	0	(1,810)	708	477	(249)	(440)	248	128	0	(625)	(313)	3
(Inc.) Dec. in Prepaid Expenses and Other Assets	(1,301)	(2,197)	968	(732)	30	(555)	250	365	(262)	(3,262)	90	(1,254)
Inc. (Dec.) in Accounts Payable	867	1,717	(1,345)	832	223	675	(189)	(274)	2,945	2,071	435	950
Inc. (Dec.) in Registration Fees Payable	40,524	18,375	(23,394)	(8,119)	13,282	27,174	(12,681)	(14,969)	10,509	27,386	12,806	12,039
Inc. (Dec.) in Accrued Expenses	7,046	(8,848)	5,363	568	(240)	3,561	(662)	(2,896)	5,486	4,129	(237)	7,198
Inc. (Dec.) in Deferred Tax Liability	787	783	254	0	0	0	0	0	1,239	1,824	0	0
Inc. (Dec.) in Deferred Revenue	1,456	10,003	6,628	(13,278)	4,126	17,457	(4,526)	(10,706)	8,800	4,811	6,352	7,414
Inc. (Dec.) in Deferred Rent	658	3	2	22	(198)	367	(21)	(248)	772	685	(101)	610
<b>Change in Net Working Capital</b>	<b>\$38,335</b>	<b>\$7,933</b>	<b>(\$16,573)</b>	<b>(\$4,535)</b>	<b>\$10,445</b>	<b>\$28,395</b>	<b>(\$11,889)</b>	<b>(\$16,184)</b>	<b>\$21,461</b>	<b>\$25,160</b>	<b>\$10,767</b>	<b>\$18,786</b>
<b>Cash Flow from Operations</b>	<b>\$39,259</b>	<b>\$27,133</b>	<b>(\$4,787)</b>	<b>(\$3,424)</b>	<b>\$14,904</b>	<b>\$49,413</b>	<b>\$3,649</b>	<b>(\$10,197)</b>	<b>\$42,095</b>	<b>\$58,181</b>	<b>\$57,769</b>	<b>\$79,150</b>
Purchases of Property and Equipment	(3,076)	(2,250)	(3,665)	(3,448)	(3,689)	(4,534)	(4,397)	(4,166)	(14,767)	(12,439)	(16,786)	(21,358)
Proceeds from Sales of PP&E	0	0	0	0	0	0	0	0	0	0	0	0
Cash (Paid) Received from Acquisitions, net	520	0	(4,602)	0	0	0	0	0	(125)	(4,082)	0	0
Sales of Short-Term Investments	0	0	0	0	0	0	0	0	0	0	0	0
Maturities of Short-Term Investments	0	0	0	0	0	0	0	0	0	0	0	0
Software Development Costs	(4,570)	(4,911)	(4,417)	(3,627)	(3,998)	(5,213)	(4,540)	(3,601)	(15,651)	(17,525)	(17,351)	(8,928)
Payment of Contingent Consideration	0	(625)	0	0	0	0	0	0	(2,182)	(625)	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(\$7,126)</b>	<b>(\$7,786)</b>	<b>(\$12,684)</b>	<b>(\$7,075)</b>	<b>(\$7,687)</b>	<b>(\$9,746)</b>	<b>(\$8,937)</b>	<b>(\$7,767)</b>	<b>(\$32,725)</b>	<b>(\$34,671)</b>	<b>(\$34,137)</b>	<b>(\$30,286)</b>
Proceeds from Debt	0	0	0	0	0	0	0	0	3,000	0	0	0
Repayment of Long-Term Obligations	(3,364)	(38,264)	0	0	0	0	0	0	(8,035)	(41,628)	0	0
Proceeds from Exercise of Stock Options and Common Stock Warrant	914	1,846	312	0	0	0	0	0	2,584	3,072	0	0
Payments on Capital Lease Obligations	(145)	(1,088)	(974)	0	0	0	0	0	(1,898)	(2,207)	0	0
Proceeds from IPO, net	(250)	114,950	0	0	0	0	0	0	0	114,700	0	0
Repurchase of Unvested Common Stock	(13)	0	0	0	0	0	0	0	0	(13)	0	0
Proceeds from Issuance (Repurchase) of Common Stock	0	0	0	(2,682)	(1,079)	(1,965)	(2,001)	(3,411)	0	(2,682)	(8,456)	(9,005)
<b>Net Cash Provided by Financing Activities</b>	<b>(\$2,858)</b>	<b>\$77,444</b>	<b>(\$662)</b>	<b>(\$2,682)</b>	<b>(\$1,079)</b>	<b>(\$1,965)</b>	<b>(\$2,001)</b>	<b>(\$3,411)</b>	<b>(\$4,349)</b>	<b>\$71,242</b>	<b>(\$8,456)</b>	<b>(\$9,005)</b>
Effect of Exchange Rate Changes	115	(115)	(351)	0	0	0	0	0	39	(351)	0	0
<b>Inc. (Dec.) in Cash and Cash Equivalents</b>	<b>\$29,390</b>	<b>\$96,676</b>	<b>(\$18,484)</b>	<b>(\$13,180)</b>	<b>\$6,138</b>	<b>\$37,702</b>	<b>(\$7,288)</b>	<b>(\$21,376)</b>	<b>\$5,060</b>	<b>\$94,402</b>	<b>\$15,176</b>	<b>\$38,858</b>
Beginning Cash and Cash Equivalents	31,441	60,831	157,507	139,023	125,843	131,981	169,683	162,395	26,381	31,441	125,843	141,019
<b>Ending Cash and Cash Equivalents</b>	<b>\$60,831</b>	<b>\$157,507</b>	<b>\$139,023</b>	<b>\$125,843</b>	<b>\$131,981</b>	<b>\$169,683</b>	<b>\$162,395</b>	<b>\$141,019</b>	<b>\$31,441</b>	<b>\$125,843</b>	<b>\$141,019</b>	<b>\$180,877</b>

Source: Company data, UBS estimates

Table 15: ACTV Revenue Build Up (\$000s)

	F2011				F2012				F2010A	F2011E	F2012E	F2013E
	Q1 11A	Q2 11A	Q3 11A	Q4 11E	Q1 12E	Q2 12E	Q3 12E	Q4 12E				
<b>Total Net Revenue</b>	<b>\$72,712</b>	<b>\$99,005</b>	<b>\$89,628</b>	<b>\$74,947</b>	<b>\$83,847</b>	<b>\$116,251</b>	<b>\$104,692</b>	<b>\$86,787</b>	<b>\$279,600</b>	<b>\$336,292</b>	<b>\$391,576</b>	<b>\$454,423</b>
% Y/Y Growth	15%	21%	23%	22%	15%	17%	17%	16%	15%	20%	16%	16%
% Q/Q Growth	18%	36%	-9%	-16%	12%	39%	-10%	-17%	--	--	--	--
<b>Technology Revenue</b>	<b>\$63,108</b>	<b>\$85,553</b>	<b>\$76,341</b>	<b>\$63,627</b>	<b>\$72,687</b>	<b>\$100,243</b>	<b>\$89,013</b>	<b>\$73,498</b>	<b>\$237,688</b>	<b>\$288,629</b>	<b>\$335,441</b>	<b>\$388,183</b>
% Y/Y Growth	15%	20%	22%	29%	15%	17%	17%	16%	13%	21%	16%	16%
% Q/Q Growth	28%	36%	-11%	-17%	14%	38%	-11%	-17%	--	--	--	--
% of Total Net Revenue	87%	86%	85%	85%	87%	86%	85%	85%	85%	86%	86%	85%
Net Registration Revenue	\$51,433	\$69,741	\$60,893	\$46,260	\$58,327	\$83,483	\$72,638	\$55,193	\$197,575	\$228,327	\$269,640	\$316,460
% Y/Y Growth	13%	15%	17%	18%	13%	20%	19%	19%	14%	16%	18%	17%
Registrations	13,931	22,926	23,513	17,546	15,338	26,388	26,969	20,129	70,182	77,916	88,824	99,759
% Y/Y Growth	8%	7%	15%	15%	10%	15%	15%	15%	7%	11%	14%	12%
Average Revenue per Registration	3.69	3.04	2.59	2.64	3.80	3.16	2.69	2.74	2.82	2.93	3.04	3.17
% Y/Y Growth	4.4%	7.8%	1.8%	2.9%	3.0%	4.0%	4.0%	4.0%	5.9%	4.1%	3.6%	4.5%
Software Revenue	\$11,675	\$15,812	\$15,448	\$17,367	\$14,360	\$16,761	\$16,375	\$18,305	\$40,113	\$60,302	\$65,801	\$71,723
% Y/Y Growth	26%	49%	50%	75%	23%	6%	6%	5%	10%	50%	9%	9%
<b>Marketing Services Revenue</b>	<b>\$9,604</b>	<b>\$13,452</b>	<b>\$13,287</b>	<b>\$11,319</b>	<b>\$11,160</b>	<b>\$16,008</b>	<b>\$15,679</b>	<b>\$13,289</b>	<b>\$41,912</b>	<b>\$47,662</b>	<b>\$56,135</b>	<b>\$66,240</b>
% Y/Y Growth	16%	28%	24%	-9%	16%	19%	18%	17%	29%	14%	18%	18%
% Q/Q Growth	-23%	40%	-1%	-15%	-1%	43%	-2%	-15%	--	--	--	--
% of Total Net Revenue	13%	14%	15%	15%	13%	14%	15%	15%	15%	14%	14%	15%

Source: Company data, UBS estimates



Table 16: ACTV DCF (\$MM)

		2011												
	2010A	Q1 11A	Q2 11A	Q3 11A	Q4 11E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	\$280	\$73	\$99	\$90	\$75	\$392	\$454	\$522	\$595	\$674	\$760	\$854	\$957	\$1,072
% Y/Y Growth	15%	15%	21%	23%	22%	16%	16%	15%	14%	13%	13%	12%	12%	12%
EBITDA	\$25	\$3	\$20	\$13	\$2	\$53	\$67	\$80	\$96	\$111	\$132	\$154	\$180	\$211
% Margin	9%	4%	21%	14%	3%	13%	15%	15%	16%	17%	17%	18%	19%	20%
% Y/Y Growth	60	137	72	36	(15)	38	27	20	19	17	18	17	16	18
Implied Taxes on Operations	(\$3)	\$0	\$4	\$14	\$22	(\$18)	(\$14)	(\$16)	(\$20)	(\$23)	(\$27)	(\$32)	(\$37)	(\$43)
% Effective Tax Rate	14%	(8%)	(21%)	(107%)	(900%)	34%	21%	21%	21%	21%	21%	21%	21%	21%
Capital Expenditures	(\$15)	(\$3)	(\$2)	(\$4)	(\$3)	(\$17)	(\$21)	(\$25)	(\$29)	(\$32)	(\$36)	(\$41)	(\$46)	(\$51)
% Y/Y Growth	41%	34%	(59%)	8%	(4%)	35%	27%	15%	17%	13%	13%	12%	12%	12%
Change in Net Working Capital	\$21	\$38	\$8	(\$17)	(\$5)	\$11	\$19	\$18	\$21	\$22	\$24	\$26	\$29	\$32
Tax Benefit from NOL Carryforwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions Not Reflected on Balance Sheet / \$	--	--	--	--	0	0	0	0	0	0	0	0	0	0
Unlevered Free Cash Flow	\$28	\$38	\$30	\$6	\$16	\$29	\$50	\$57	\$68	\$78	\$92	\$108	\$126	\$148
NPV at 9/30/11 Valuation Date and 11.5% WACC	--	--	--	--	\$16	\$26	\$42	\$42	\$45	\$47	\$49	\$52	\$54	\$57
Perpetuity Growth Rate / Terminal Value at 11.5% WACC														
	3.5%	4.0%	4.5%	5.0%	5.5%	Implied Terminal Value / Terminal EBITDA Multiple								
	\$2,106	\$2,257	\$2,430	\$2,630	\$2,862	10.0x 10.7x 11.5x 12.4x 13.5x								
						\$2,106 \$2,257 \$2,430 \$2,630 \$2,862								
Median DCF Valuation at 9/30/11 Valuation Date														
NPV of Cash Flows and Terminal Value					\$1,270	WACC								
Plus: Net Cash					139	10%	\$23	\$24	\$25	\$26	\$28			
Implied Equity Value					\$1,410	11%	22	22	23	25	26			
Implied Fully Diluted Shares Outstanding (MM)					64	12%	20	21	22	23	24			
Implied Equity Value per Share					\$22	13%	19	20	21	22	23			
						14%	18	19	19	20	21			

Source: UBS estimates

Table 17: Internet and Interactive Entertainment Comp Sheet Estimates

(\$MMs, except EPS)				Revenue				EBITDA				EPS <sup>1</sup>				FCF <sup>2</sup>		11E Margin	
Company	Ticker	Rating	Market Cap 12/5/2011	UBS Estimate 2011E	Consensus 2012E	UBS Estimate 2011E	Consensus 2012E	UBS Estimate 2011E	Consensus 2012E	UBS Estimate 2011E	Consensus 2012E	UBS Estimate 2011E	Consensus 2012E	UBS Estimate 2011E	Consensus 2012E	2011E	2012E	Gross	Operating
<b>Interactive Entertainment</b>																			
Activision	ATVI	Buy	\$14,266	4,276	4,632	4,278	4,563	1,609	1,934	1,483	1,733	0.87	0.95	0.86	0.96	1,005	1,507	74.4	34.3
Electronic Arts	ERTS	Buy	7,577	4,264	4,668	4,329	4,465	693	816	602	773	0.93	1.36	0.90	1.24	735	(\$310)	60.7	13.2
GameStop	GME	NR	3,214	--	--	9,741	9,973	--	--	833	861	--	--	2.88	3.15	417	442	--	--
TakeTwo	TTWO	Neutral	1,180	1,071	1,580	1,029	1,674	48	248	44	274	0.24	2.02	0.18	2.43	80	39	39.2	3.3
THQ Inc.	THQI	Neutral	119	993	1,053	971	981	12	32	6	34	(\$0.04)	0.16	(0.11)	0.25	26	(\$21)	31.8	0.0
<b>Advertising &amp; Related Services</b>																			
Google	GOOG	Buy	202,477	29,455	35,581	29,297	35,934	16,150	19,817	15,938	19,403	36.84	42.66	36.86	43.86	10,920	16,130	86.1	48.6
Yahoo!	YHOO	Neutral	21,135	4,400	4,801	4,428	4,588	1,649	1,811	1,471	1,538	0.96	1.06	0.81	0.89	877	984	79.8	22.9
IAC / InterActiveCorp	IACI	Neutral	4,118	2,011	2,267	2,029	2,401	362	447	365	448	2.08	2.48	2.12	2.60	280	180	62.6	15.0
WebMD	WBMD	NR	2,000	--	--	559	565	--	--	183	186	--	--	1.22	0.94	93	65	--	--
ValueClick	VCLK	Neutral	1,285	555	706	553	707	169	220	169	215	1.15	1.23	1.18	1.13	74	128	67.8	29.1
AOL	AOL	Buy	1,541	2,193	2,117	2,193	2,097	349	317	362	310	0.62	0.80	0.06	0.36	280	247	31.9	5.5
United Online	UNTD	NR	486	--	--	901	888	--	--	175	160	--	--	0.97	0.80	137	130	--	--
EarthLink	ELNK	NR	672	--	--	1,313	1,336	--	--	331	320	--	--	0.32	0.23	113	109	--	--
comScore	SCOR	NR	657	--	--	233	280	--	--	46	60	--	--	(0.43)	0.22	43	50	--	--
Demand Media	DMD	Buy	809	314	382	313	367	86	122	85	110	0.26	0.37	0	0	46	106	0.5	(2.4)
Marchex	MCHX	NR	260	--	--	148	173	--	--	23	28	--	--	0.29	0.34	27	37	--	--
Zillow	Z	NR	608	--	--	65	96	--	--	11	18	--	--	0.13	0.30	4	11	--	--
LinkedIn	LNKD	Buy	6,537	513	832	506	787	93	87	71	134	0.32	0.72	0.03	0.27	37	68	84.1	8.0
Quinstreet	QNST	Buy	438	402	464	406	450	83	87	82	91	0.89	0.98	0.91	1.00	56	53	27.4	11.0
<b>eCommerce</b>																			
Amazon.com	AMZN	Neutral	93,408	49,037	62,994	64,977	83,831	2,451	3,712	2,717	3,889	1.29	2.32	1.21	2.05	2,514	4,519	22.2	2.3
eBay	EBAY	Buy	39,153	11,610	13,471	11,595	13,675	3,747	4,377	3,807	4,482	2.01	2.32	2.00	2.32	4,073	3,676	71.6	26.9
Digital River	DRIV	NR	576	--	--	390	422	--	--	75	87	--	--	1.03	1.21	45	41	--	--
Mercado Libre	MELI	NR	3,767	--	--	298	390	--	--	108	147	--	--	1.75	2.33	64	90	--	--
Active Network Inc.	ACTV	Buy	678	336	392	336	392	38	53	38	54	(\$0.44)	0.00	(0.38)	(0.03)	46	41	55.8	(1.8)
Groupon	GRPN	NR	12,041	.	--	1,602	2,383	--	--	(61)	(426)	--	--	(0.64)	0.14	--	--	--	--
OpenTable Inc	OPEN	NR	860	.	--	139	169	--	--	54	71	--	--	1.20	1.49	30	41	--	--
<b>Online Entertainment</b>																			
Netflix	NFLX	Neutral	3,485	3,177	3,400	3,187	3,623	463	167	437	191	3.84	0.30	4.08	0.59	175	(\$532)	36.3	8.0
TiVo Inc.	TIVO	Buy	1,156	191	226	190	226	106	(\$39)	95	(43)	0.50	(\$0.55)	0.46	(0.49)	207	(\$18)	47.4	(33.8)
Rovi Corp	ROVI	NR	2,993	--	--	779	830	--	--	369	389	--	--	2.45	2.64	315	289	--	--
Rentrak Corp	Rent	NR	157	--	--	94	107	--	--	5	12	--	--	(0.04)	0.32	--	5	--	--
Pandora	P	NR	1,737	--	--	275	415	--	--	1	5	--	--	(0.02)	(0.01)	--	(\$14)	--	--

(1) All figures represent "Operating EPS", defined to exclude SBC and 1x items as per Mgmt, except the following companies which are GAAP: ACTV, AMZN, NFLX, TIVO, VCLK

(2) FCF for non-covered companies are FirstCall means

(3) ERTS 2011E = Fiscal year ending 03/2012; 2011E = Fiscal Year ending 03/2013

(4) THQI 2011E = Fiscal year ending 03/2012; 2012E = Fiscal Year ending 03/2013

(5) TTWO 2011E = Fiscal year ending 10/2011; 2012E = Fiscal Year ending 10/2012

(6) TIVO 2011E = Fiscal year ending 01/2012; 2012E = Fiscal Year ending 01/2013

Source: FactSet, UBS estimates

Table 18: Internet and Interactive Entertainment Comp Sheet Valuations

Company	Ticker	Rating	Price 12/04/11	Price Target	Upside to Target	YTD Performance	Firm Value <sup>1</sup> (\$MMs)	Firm Value / EBITDA 2011E	11-14E EBITDA CAGR	Price / Earnings 2011E	2012E	11-14E EPS CAGR	2011E P/E to Growth	Price / FCF / share 2011E	2012E	11-14E FCF CAGR	2011E FCF Yield (%)		
Interactive Entertainment																			
Activision	ATVI	Buy	\$12.27	\$14	18%	-1%	\$11,251	7x	6x	8%	14x	13x	8%	1.5	15x	10x	15%	10.0%	
Electronic Arts	ERTS	Buy	\$23.00	30	30	40%	6,376	9	8	15	25	17	29	0.6	11	23	(15)	4.35	
GameStop	GME	NR	\$23.22	--	--	1%	2,894	3	3	--	8	7	--	--	--	--	--		
TakeTwo	TTWO	Neutral	\$13.66	16	17	11%	1,021	21	4	38	76	6	50	0.1	15	31	(5)	3.2%	
THQ Inc.	THQI	Neutral	\$1.74	2.25	29	-71%	100	8	3	76	--	7	--	--	5	-	17	--	
weighted average						12%	8			6	19.3		13	15	1.0	12	13	3	6.6%
mean						-4%	10			5	31		10	29	0.7	11	21	3	5.9%
Advertising & Related Services																			
Google	GOOG	Buy	\$620.36	800	29	4%	162,012	10	8	17	17	15	15	0.9	19	13	21	7.8%	
Yahoo!	YHOO	Neutral	\$16.05	17	7	-3%	13,698	8	8	10	17	15	13	1.2	24	22	11	4.6%	
IAC / InterActiveCorp	IACI	Neutral	\$42.45	43	0	48%	3,285	9	7	16	20	17	14	1.2	15	20	9	4.9%	
WebMD	WBMD	NR	\$35.49	--	--	-30%	1,698	9	9	--	29	38	--	--	--	--	--		
ValueClick	VCLK	Neutral	\$15.74	17	9	-2%	1,302	8	6	11	14	13	2	6.7	18	11	21	9.4%	
AOL	AOL	Buy	\$14.47	20	38	-39%	1,166	3	4	3	23	18	29	0.6	5	6	(16)	16.7%	
United Online	UNTD	NR	\$5.47	--	--	-17%	635	4	4	--	6	7	--	--	--	--	--		
EarthLink	ELNK	NR	\$6.26	--	--	-27%	1,066	3	3	--	19	27	--	--	--	--	--		
comScore	SCOR	NR	\$19.89	--	--	-11%	637	14	11	--	--	90	--	--	--	--	--		
Demand Media	DMD	Buy	\$7.90	13.50	71	-65%	729	8	6	34	31	21	27	0.8	15	7	58	14.3%	
Marchex	MCHX	NR	\$6.98	--	--	-27%	225	10	8	--	24	20	--	--	--	--	--		
Zillow	Z	NR	\$22.06	--	--	-35%	512	48	28	--	170	74	--	--	--	--	--		
LinkedIn	LNKD	Buy	\$67.89	90	33	-28%	6,146	74	70	63	74	68	91	0.7	--	--	--	--	
QuinStreet	QNST	Buy	\$9.20	11	24	-52%	401	5	5	11	10	9	13	0.7	8	9	6	11.4%	
weighted average						9%	14			11	22		18	14	0.8	25	41	15	5.9%
mean						-16%	16			13	34		29	25	1.6	22	30	16	8.6%
eCommerce																			
Amazon.com	AMZN	Neutral	\$196.03	215	10	9%	87,246	36	24	35	152	85	65	1.3	36	20	36	5.0%	
eBay	EBAY	Buy	\$29.60	45	52	6%	27,627	7	6	15	15	13	15	0.8	10	11	2	9.4%	
Digital River	DRIV	NR	\$15.43	--	--	-55%	266	4	3	--	15	13	--	--	--	--	--		
Mercado Libre	MELI	NR	\$85.34	--	--	28%	3,644	34	25	--	49	37	--	--	--	--	--		
Active Network Inc.	ACTV	Buy	\$12.50	22	76	-21%	539	14	10	28	--	--	--	--	17	20	12	5.1%	
Groupon	GRPN	NR	\$18.95	--	--	-24%	11,796	--	--	--	--	139	--	--	--	--	--	--	
OpenTable Inc	OPEN	NR	\$36.24	--	--	-49%	780	15	11	--	30	24	0	--	--	--	--	--	
weighted average						5%	26			18	104		72	46	1	26	16	24	5.2%
mean						-20%	15			13	49		49	27	1	21	17	17	6.5%
Online Entertainment																			
Netflix	NFLX	Neutral	\$66.37	70	6	-62%	3,694	8	22	6	17	223	1	173.7	21	66	16	1.5%	
TiVo Inc.	TIVO	Buy	\$9.57	13	36	11%	719	7	--	(37)	19	--	--	--	6	-	(39)	--	
Rovi Corp	ROVI	NR	\$27.21	--	--	-56%	3,631	10	9	--	11	10	--	--	--	--	--		
Rentrak Corp	Rent	NR	\$14.24	--	--	-53%	134	27	12	--	--	45	--	--	--	--	--	--	
Pandora	P	NR	\$10.78	--	--	-38%	1,646	1344	328	--	--	--	0	--	--	--	--	--	
weighted average						-50%	233			67	12		88	0	65.3	9	25	3	0.6%
mean						-40%	279			93	16		93	0.6	173.7	14	66	-12	1.5%

(1) Firm Value equal to Equity Value plus straight and convertible debt, straight and convertible preferred stock, and minority interest less cash and cash equivalents, marketable securities, and equity in unconsolidated affiliates.

Valuation metrics of non-covered companies are based on FirstCall mean estimates

(2) ERTS 2011E = Fiscal year ending 03/2012; 2011E = Fiscal Year ending 03/2013

(3) THQI 2011E = Fiscal year ending 03/2012; 2012E = Fiscal Year ending 03/2013

(4) TTWO 2011E = Fiscal year ending 10/2011; 2012E = Fiscal Year ending 10/2012

(5) TIVO 2011E = Fiscal year ending 01/2012; 2012E = Fiscal Year ending 01/2013

Source: FactSet, UBS estimates



# The Active Network, Inc.

Income statement (US\$ <b>k</b> )	-	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	391,576	16.4	454,423	16.0
Operating expenses (ex depn)	-	-	-	(227,138)	(254,480)	(298,166)	17.2	(338,821)	13.6	(387,383)	14.3
EBITDA (UBS)	-	-	-	15,746	25,120	38,126	51.8	52,755	38.4	67,039	27.1
Depreciation	-	-	-	(36,079)	(40,287)	(44,212)	9.7	(36,644)	-17.1	(36,012)	-1.7
Operating income (EBIT, UBS)	-	-	-	(20,333)	(15,167)	(6,086)	-59.9	16,111	-	31,028	92.6
Other income & associates	-	-	-	0	0	0	-	0	-	0	-
Net interest	-	-	-	(3,847)	(4,833)	(3,698)	-23.5	(2,801)	-24.2	(2,578)	-8.0
Abnormal items (pre-tax)	-	-	-	0	0	0	-	0	-	0	-
Profit before tax	-	-	-	(24,180)	(20,000)	(9,783)	-51.1	13,310	-	28,450	113.7
Tax	-	-	-	(2,439)	3,951	1,817	-54.0	(4,586)	-	(5,974)	30.3
Profit after tax	-	-	-	(26,619)	(16,049)	(7,966)	-50.4	8,724	-	22,475	157.6
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	8,724	-	22,475	157.6
Net Income (UBS)	-	-	-	(63,633)	(55,429)	(28,004)	-49.5	147	-	13,470	9038.7
Tax rate (%)	-	-	-	0	0	0	-	34	-	21	-39.1
Pre-abnormal tax rate (%)	-	-	-	0	0	0	-	34	-	21	-39.1
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	0.14	-	0.35	156.5
EPS (UBS)	-	-	-	(10.86)	(7.83)	(0.44)	-94.4	0.00	-	0.21	8998.9
Net DPS	-	-	-	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	-	-	-	(4.70)	(2.14)	0.30	-	0.68	126.4	0.91	33.8
BVPS	-	-	-	4.21	3.89	5.89	51.2	5.90	0.1	6.15	4.3
Balance sheet (US\$ <b>k</b> )	-	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	141,019	12.1	180,877	28.3
Other current assets	-	-	-	31,229	38,277	51,180	33.7	59,780	16.8	68,740	15.0
Total current assets	-	-	-	57,610	69,718	177,023	153.9	200,799	13.4	249,617	24.3
Net tangible fixed assets	-	-	-	26,742	28,181	26,104	-7.4	25,551	-2.1	28,972	13.4
Net intangible fixed assets	-	-	-	290,268	285,334	287,755	0.8	285,802	-0.7	276,655	-3.2
Investments / other assets	-	0	0	7,251	7,315	7,628	4.3	7,516	-1.5	7,981	6.2
Total assets	-	-	-	381,871	390,548	498,510	27.6	519,667	4.2	563,224	8.4
Trade payables & other ST liabilities	-	-	-	101,155	131,073	152,407	16.3	171,620	12.6	198,451	15.6
Short term debt	-	-	-	131	1,630	2,246	37.8	2,364	5.3	2,668	12.8
Total current liabilities	-	-	-	101,286	132,703	154,653	16.5	173,985	12.5	201,119	15.6
Long term debt	-	-	-	41,402	33,553	6,597	-80.3	6,520	-1.2	7,597	16.5
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	200,061	10.6	228,271	14.1
Equity & minority interests	-	-	-	222,865	206,332	317,704	54.0	319,606	0.6	334,953	4.8
Total liabilities & equity	-	-	-	381,871	390,548	498,510	27.6	519,667	4.2	563,224	8.4
Cash flow (US\$ <b>k</b> )	-	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	8,724	-	22,475	157.6
Depreciation	-	-	-	36,079	40,287	44,212	9.7	36,644	-17.1	36,012	-1.7
Net change in working capital	-	-	-	18,137	21,461	25,160	17.2	10,767	-57.2	18,786	74.5
Other (operating)	-	-	-	11,184	6,539	9,262	41.6	10,211	10.2	10,882	6.6
Net cash from operations	-	-	-	38,781	52,238	70,668	35.3	66,345	-6.1	88,155	32.9
Capital expenditure	-	-	-	(10,449)	(14,767)	(12,439)	-15.8	(16,786)	34.9	(21,358)	27.2
Net (acquisitions) / disposals	-	-	-	0	0	0	-	0	-	0	-
Other changes in investments	-	-	-	(15,519)	(17,958)	(22,232)	-	(17,351)	-	(8,928)	-
Cash from investing activities	-	-	-	(25,968)	(32,725)	(34,671)	5.9	(34,137)	-1.5	(30,286)	-11.3
Increase/(decrease) in debt	-	-	-	0	0	0	-	0	-	0	-
Share issues / (repurchases)	-	-	-	(8,514)	(4,349)	71,242	-	(8,456)	-	(9,005)	-
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	-	(8,456)	-	(9,005)	6.5
Cash flow chge in cash & equivalents	-	-	-	4,299	15,164	107,240	-	23,753	-	48,863	-
FX / non cash items	-	-	-	-	(10,104)	(12,838)	-	(8,576)	-	(9,005)	20.5
Bal sheet chge in cash & equivalents	-	-	-	-	5,060	94,402	-	15,176	-	39,858	-
Core EBITDA	-	-	-	15,746	25,120	38,126	51.8	52,755	38.4	67,039	27.1
Maintenance capital expenditure	-	-	-	(10,449)	(14,767)	(12,439)	-15.8	(16,786)	34.9	(21,358)	27.2
Maintenance net working capital	-	-	-	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	-	-	5,297	10,353	25,687	148.1	35,969	40.0	45,682	27.0

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

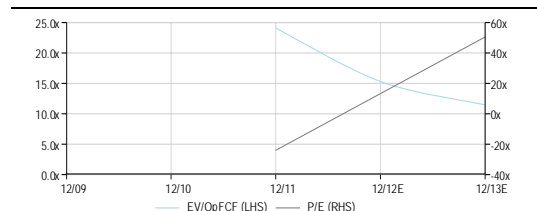
12m price target

US\$22.00

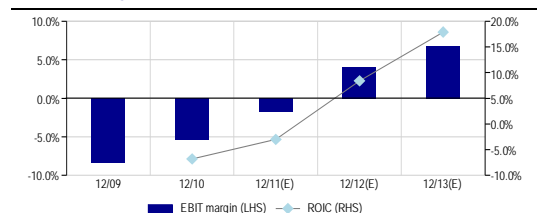
### Company profile

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.

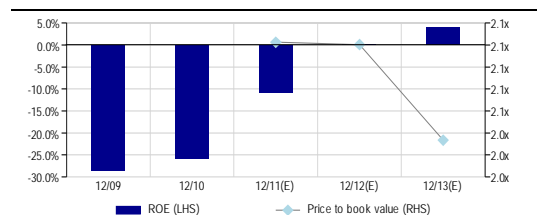
### Value (EV/OpFCF & P/E)



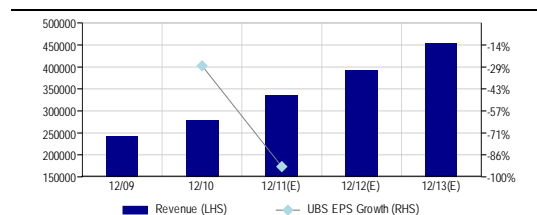
### Profitability



### 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	35.9
P/E (UBS)	-	-	-	NM	NM	59.8
P/CEPS	-	-	-	41.6	18.4	13.7
Net dividend yield (%)	-	-	-	0.0	0.0	0.0
P/BV	-	-	-	2.1	2.1	2.0
EV/revenue (core)	-	-	-	1.8	1.4	1.2
EV/EBITDA (core)	-	-	-	16.2	10.4	7.8
EV/EBIT (core)	-	-	-	NM	NM	16.9
EV/OpFCF (core)	-	-	-	24.1	15.3	11.5
EV/op. invested capital	-	-	-	3.0	2.9	3.0

Enterprise value (US\$)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	-	-	677,500	677,500	677,500
+ minority interests	0	0	0	0	0
+ average net debt (cash)	15,152	9,447	(56,629)	(124,567)	(151,373)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(2,251)	(2,315)	(2,628)	(2,516)	(2,981)
Core enterprise value	-	-	618,243	550,417	523,146

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	-	-	15.1	20.3	16.4	16.0
EBITDA (UBS)	-	-	59.5	51.8	38.4	27.1
EBIT (UBS)	-	-	-25.4	-59.9	-	92.6
EPS (UBS)	-	-	-27.9	-93.4	-	NM
Cash EPS	-	-	-54.5	-	126.4	33.8
Net DPS	-	-	-	-	-	-
BVPS	-	-	-7.4	51.2	0.1	4.3

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	-	6.5	9.0	11.3	13.5	14.8
EBIT / revenue	-	-8.4	-5.4	-1.8	4.1	6.8
Net profit (UBS) / revenue	-	NM	NM	NM	0.0	3.0

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	-	-	NM	NM	8.4	17.9
ROIC post tax	-	-	NM	NM	5.5	14.2
Net ROE	-	(28.6)	(25.8)	(10.7)	0.0	4.1

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	-	-	-	-	5.8	12.0
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	2.0	2.6
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	2.2	1.5
Capex / revenue (%)	-	4.3	5.3	3.7	4.3	4.7
Capex / depreciation	-	0.3	0.4	0.3	0.5	0.6

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	-	6.8	1.8	(36.8)	(41.3)	(50.9)
Net debt / (net debt + equity)	-	6.4	1.8	(58.3)	(70.5)	NM
Net debt (core) / EV	-	-	-	(9.2)	(22.6)	(28.9)

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\$12.50 on 02 Dec 2011 19:41 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 <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

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 30 September 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.

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**Equity Price Targets** have an investment horizon of 12 months.

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**UBS Securities LLC:** Brian Pitz; Brian Fitzgerald; Brent Thill; Stan Velikov, CFA; Timothy O'Shea; John Byun; Nicole Hayashi.

**Company Disclosures**

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
The Active Network, Inc. <sup>16</sup>	ACTV.N	Not Rated	N/A	US\$12.50	02 Dec 2011

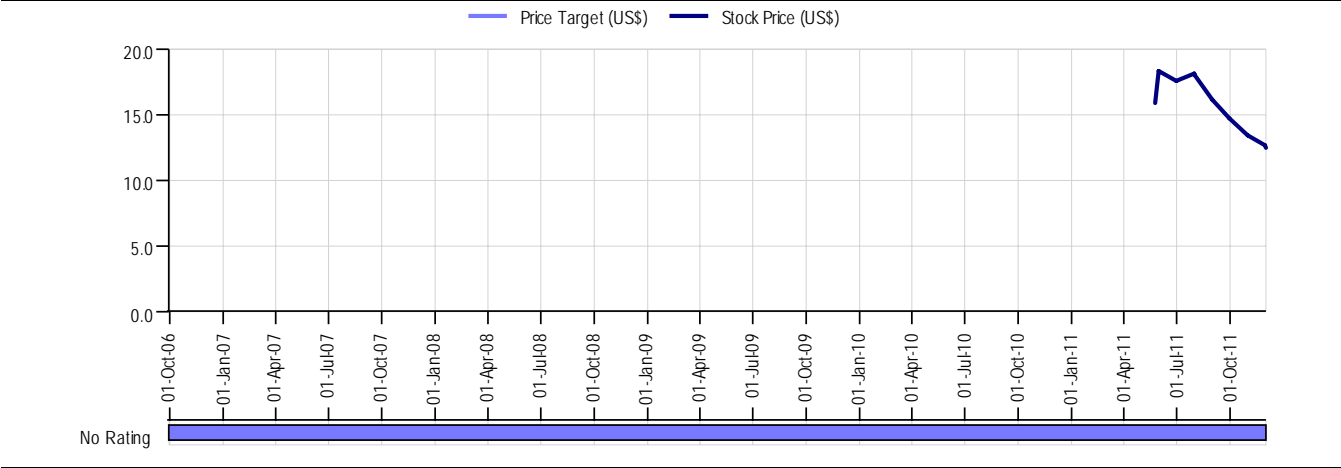
Source: UBS. All prices as of local market close.

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 02 Dec 2011

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