



**The Active Network, Inc.**  
**Buy**

**ACTV: \$13.01**  
**Price Target: \$18.00**

**Application Software**

**ACTV: Initiating Coverage With A Buy Rating And \$18 Price Target**

**THINK ACTION:**

We initiate coverage of The Active Network with a Buy rating and \$18 price target. We believe The Active Network will continue to deliver strong growth because event organizations increasingly realize they need a SaaS-based registrations lifecycle management platform to increase participation rates, automate online registrations, and better manage business operations. Additionally, a deep competitive moat, strong secular trends (offline-to-online registrations/transactions/advertisement trends), a proven predictable & profitable operating model and with the shares declining ~23% over the past four months (versus the NASDAQ +6%), it now looks like a buying opportunity for long-term investors, in our view.

**KEY POINTS:**

- **An industry leader with strong secular trends and substantial operating leverage.** We initiate coverage of ACTV shares with a Buy rating and \$18 price target. The Active Network is a leading software-as-a-service (SaaS) provider of online events registration lifecycle management (RLM) solutions with 47,000+ customers and ~90M annual consumer registrations run-rate. We believe that, given strong secular trends, network-based effects, substantial operating leverage, increased distribution, and several potential greenfield opportunities, The Active Network can meet or exceed our 2012 financial expectations.
- **Compelling value proposition, in our view.** Event organizations have mostly used manual processes (Microsoft Office), paper-based processes, or a legacy, ERP system to attract new registrants, process registrations, and manage their business operations. The Active Network has developed comprehensive online event registrations lifecycle management solutions for organizations in sports, outdoors, community-based and corporate sectors. These solutions can significantly increase event-demand, productivity, performance, registration renewal rates and employee satisfaction, in our opinion. Our customer checks reveal that online event registrations lifecycle management automation also yields an attractive ROI.
- **Deep competitive moat and a sustainable competitive advantage, in our view.** Over the past 12 years, we believe The Active Network has created a deep competitive moat and sustainable competitive advantage owing to its first-mover advantage, industry-leading scale, and network-effects from a very large customer base and partner relationships with many other online portals.
- **Call option on platform play.** The Active Network is in the process of transitioning its customer base onto a single platform called ActiveWorks. This transition should take 18-24 months to complete and ACTV's R&D expense and C.O.G.S. will be temporarily elevated as they end-of-life legacy platforms. Once completed, ACTV will operate a leaner cost structure that should provide leverage on future revenue growth, which we view as an attractive investment trait. Also, having one platform allows The Active Network to speed up innovation and deliver the latest functionality, which greatly enhances the number of new product cycles, increases customer stickiness, and puts The Active Network at the forefront of the industry's technology leaders, in our opinion.

**Brian Schwartz**

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

52-Week High:	\$19.99
52-Week Low:	\$12.30
Shares O/S-Diluted (M):	62.8
Market Cap (M):	\$817.0
Average Daily Volume:	216,466
Short Interest:	2.0%
Debt/Total Cap:	0.0%
Net Cash Per Share:	\$2.20
P/E (12-month forward):	NA
Est. Long-Term EPS Growth:	35.0%
P/E/G:	NM
Fiscal Year-End:	Dec

REV (M) \$	2010A	2011E	2012E
Mar	63.2A	72.7A	83.0E
Jun	81.7A	99.0A	113.0E
Sep	73.1A	89.6A	106.2E
Dec	61.6A	73.0E	86.2E
FY	279.6A	334.3E	388.5E

FY P/S	2.9x	2.4x	2.1x
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EPS \$	2010A	2011E	2012E
Mar	(0.19)A	(0.12)A	(0.06)E
Jun	0.05A	0.18A	0.20E
Sep	0.01A	0.05A	0.10E
Dec	(0.12)A	(0.16)E	(0.08)E
FY	(0.25)A	(0.05)E	0.15E

FY P/E	NM	NM	86.7x
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EPS is Non-GAAP



**VALUATION:**

Currently, ACTV shares trade 18x EV/2011E EBITDA. Our \$18 price target for ACTV shares is based on a 18x EV/EBITDA multiple applied to our 2012 estimate of \$54M. We assume ACTV maintains a similar valuation multiple and believe this multiple is appropriate since the business has a highly predictable revenue stream and the multiple is in the middle of our 15-20% long-term CAGR expectation.

**RISKS TO PRICE TARGET:**

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

**COMPANY DESCRIPTION:**

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

## The Active Network

### Income Statement

(\$ in millions, except per share)

		2010					2011E					2012E				
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4E	FY	Q1E	Q2E	Q3E	Q4E	FY
	2009	Mar-10	Jun-10	Sep-10	Dec-10	2010	Mar-11	Jun-11	Sep-11	Dec-11	2011E	Mar-12	Jun-12	Sep-12	Dec-12	2012E
<b>Technology</b>	<b>210.5</b>	<b>54.9</b>	<b>71.2</b>	<b>62.4</b>	<b>49.2</b>	<b>237.7</b>	<b>63.1</b>	<b>85.6</b>	<b>76.3</b>	<b>58.3</b>	<b>283.2</b>	<b>71.8</b>	<b>97.3</b>	<b>90.6</b>	<b>69.0</b>	<b>328.8</b>
Y/Y % Change			11%	7%	13%	13%	15%	20%	22%	19%	19%	14%	14%	19%	18%	16%
Q/Q % Change		26%	30%	-12%	-21%		28%	36%	-11%	-24%		23%	36%	-7%	-24%	
% of Total Rev	86.7%	86.9%	87.2%	85.4%	79.8%	85.0%	86.8%	86.4%	85.2%	79.9%	84.7%	86.5%	86.1%	85.3%	80.1%	84.6%
<b>Marketing Services</b>	<b>32.4</b>	<b>8.3</b>	<b>10.5</b>	<b>10.7</b>	<b>12.4</b>	<b>41.9</b>	<b>9.6</b>	<b>13.5</b>	<b>13.3</b>	<b>14.7</b>	<b>51.0</b>	<b>11.2</b>	<b>15.7</b>	<b>15.6</b>	<b>17.2</b>	<b>59.7</b>
Y/Y % Change			36%	40%	17%	29%	16%	28%	24%	18%	22%	17%	17%	17%	17%	17%
Q/Q % Change		-22%	27%	2%	16%		-23%	40%	-1%	10%		-23%	40%	-1%	10%	
<b>Total Revenue</b>	<b>242.9</b>	<b>63.2</b>	<b>81.7</b>	<b>73.1</b>	<b>61.6</b>	<b>279.6</b>	<b>72.7</b>	<b>99.0</b>	<b>89.6</b>	<b>73.0</b>	<b>334.3</b>	<b>83.0</b>	<b>113.0</b>	<b>106.2</b>	<b>86.2</b>	<b>388.5</b>
Y/Y % Change	40%	24%	14%	11%	13%	15%	15%	21%	23%	18%	20%	14%	14%	19%	18%	16%
Q/Q % Change		16%	29%	-10%	-16%		18%	36%	-10%	-19%		14%	36%	-6%	-19%	
<b>Cost of Revenue</b>																
Cost of Technology Revenue		21.9	26.5	23.1	19.5	91.0	26.0	33.1	32.4	26.1	117.6	30.9	40.9	40.8	31.1	143.6
Technology Margin		60.1%	62.7%	63.0%	60.4%		58.8%	61.3%	57.6%	55.3%		57.0%	58.0%	55.0%	55.0%	
Cost of Marketing Services		1.0	1.7	1.8	1.6	6.2	1.2	1.5	1.6	1.9	6.2	1.3	1.9	1.9	2.1	7.2
Marketing Services Margin		87.7%	83.5%	83.0%	86.8%		87.9%	89.0%	88.0%	87.0%		88.0%	88.0%	88.0%	88.0%	
<b>Gross Profit</b>	<b>153.2</b>	<b>40.3</b>	<b>53.4</b>	<b>48.2</b>	<b>40.5</b>	<b>182.3</b>	<b>45.6</b>	<b>64.4</b>	<b>55.6</b>	<b>45.0</b>	<b>210.6</b>	<b>50.8</b>	<b>70.3</b>	<b>63.6</b>	<b>53.1</b>	<b>237.7</b>
Gross Margin	63.1%	63.7%	65.4%	65.9%	65.7%	65.2%	62.7%	65.0%	62.1%	61.6%	63.0%	61.2%	62.2%	59.8%	61.6%	61.2%
<b>Operating Expense</b>																
<b>Sales and Marketing</b>	<b>49.8</b>	<b>14.5</b>	<b>15.0</b>	<b>14.9</b>	<b>14.1</b>	<b>58.5</b>	<b>16.8</b>	<b>18.3</b>	<b>16.8</b>	<b>17.0</b>	<b>68.9</b>	<b>17.5</b>	<b>19.3</b>	<b>18.7</b>	<b>19.2</b>	<b>74.7</b>
% of Total Revenue	20.5%	23.0%	18.3%	20.4%	22.9%	20.9%	23.0%	18.5%	18.8%	23.3%	20.6%	21.1%	17.0%	17.6%	22.3%	19.2%
Y/Y % Change	3%	10%	18%	26%	18%	18%	15%	22%	13%	20%	18%	4%	5%	11%	13%	8%
<b>Research and Development</b>	<b>58.2</b>	<b>14.9</b>	<b>16.2</b>	<b>15.0</b>	<b>14.8</b>	<b>60.9</b>	<b>16.1</b>	<b>16.2</b>	<b>17.3</b>	<b>17.5</b>	<b>67.0</b>	<b>17.8</b>	<b>18.2</b>	<b>18.5</b>	<b>19.1</b>	<b>73.6</b>
% of Total Revenue	23.9%	23.6%	19.8%	20.6%	23.9%	21.8%	22.1%	16.3%	19.3%	23.9%	20.0%	21.5%	16.1%	17.4%	22.1%	18.9%
<b>General and Administrative</b>	<b>29.7</b>	<b>9.8</b>	<b>10.4</b>	<b>8.9</b>	<b>8.8</b>	<b>38.0</b>	<b>10.2</b>	<b>11.1</b>	<b>10.4</b>	<b>10.5</b>	<b>42.1</b>	<b>10.8</b>	<b>11.1</b>	<b>11.3</b>	<b>11.7</b>	<b>44.9</b>
% of Total Revenue	12.2%	15.5%	12.8%	12.2%	14.3%	13.6%	14.0%	11.2%	11.6%	14.4%	12.6%	13.0%	9.8%	10.7%	13.5%	11.6%
<b>Total Costs and Expenses</b>	<b>245.8</b>	<b>66.2</b>	<b>73.9</b>	<b>67.8</b>	<b>62.8</b>	<b>270.8</b>	<b>73.8</b>	<b>83.9</b>	<b>82.1</b>	<b>76.6</b>	<b>316.5</b>	<b>82.0</b>	<b>95.0</b>	<b>94.9</b>	<b>86.8</b>	<b>358.7</b>
<b>PF Operating Income</b>	<b>3.0</b>	<b>(2.8)</b>	<b>7.2</b>	<b>4.3</b>	<b>(3.0)</b>	<b>5.8</b>	<b>(1.1)</b>	<b>15.1</b>	<b>7.4</b>	<b>(3.6)</b>	<b>17.8</b>	<b>1.0</b>	<b>18.1</b>	<b>11.3</b>	<b>(0.6)</b>	<b>29.8</b>
PF Operating Margin	1.2%	(4.5%)	8.9%	5.9%	(4.8%)	2.1%	(1.5%)	15.3%	8.3%	(5.0%)	5.3%	1.2%	16.0%	10.7%	(0.7%)	7.7%
Non-Cash Items/Stock Comp./Other	35.1	7.2	6.7	6.7	6.1	26.7	(7.5)	(7.3)	(7.9)	(8.9)	(31.6)	(7.6)	(8.2)	(8.0)	(7.6)	(31.4)
Total Other Income	(3.8)	(1.7)	(1.7)	(0.5)	(1.0)	(4.8)	(1.3)	(1.2)	(0.0)	(0.8)	(3.3)	(0.8)	(0.9)	(0.8)	(0.6)	(3.1)
<b>PF Net Income</b>	<b>(15.3)</b>	<b>(7.8)</b>	<b>2.4</b>	<b>0.4</b>	<b>(5.2)</b>	<b>(10.1)</b>	<b>(5.3)</b>	<b>10.2</b>	<b>3.1</b>	<b>(9.9)</b>	<b>(1.9)</b>	<b>(3.9)</b>	<b>12.9</b>	<b>6.8</b>	<b>(5.4)</b>	<b>9.6</b>
PF Net Income %	-6.3%	-12.4%	2.9%	0.6%	-8.5%	-3.6%	-7.3%	10.3%	3.4%	-13.5%	-0.6%	-4.7%	11.4%	6.4%	-6.3%	2.5%
<b>GAAP Net Income</b>	<b>(37.9)</b>	<b>(12.4)</b>	<b>(1.9)</b>	<b>(3.8)</b>	<b>(9.1)</b>	<b>(27.2)</b>	<b>(10.9)</b>	<b>5.5</b>	<b>(1.4)</b>	<b>(14.4)</b>	<b>(20.6)</b>	<b>(8.0)</b>	<b>8.3</b>	<b>2.3</b>	<b>(9.5)</b>	<b>(6.9)</b>
<b>PF EPS</b>	<b>(\$0.38)</b>	<b>(\$0.19)</b>	<b>\$0.05</b>	<b>\$0.01</b>	<b>(\$0.12)</b>	<b>(\$0.25)</b>	<b>(\$0.12)</b>	<b>\$0.18</b>	<b>\$0.05</b>	<b>(\$0.16)</b>	<b>(\$0.05)</b>	<b>(\$0.06)</b>	<b>\$0.20</b>	<b>\$0.10</b>	<b>(\$0.08)</b>	<b>\$0.15</b>
Y/Y % Change	44.0%	(24.1%)	(75.8%)	(90.8%)	2.7%	35.8%	34.4%	256.3%	377.7%	(24.5%)	79.0%	50.6%	10.9%	111.0%	48.5%	N/A
<b>GAAP EPS</b>	<b>(\$1.57)</b>	<b>(\$0.46)</b>	<b>(\$0.21)</b>	<b>(\$0.26)</b>	<b>(\$0.39)</b>	<b>(\$1.33)</b>	<b>(\$0.43)</b>	<b>\$0.03</b>	<b>(\$0.03)</b>	<b>(\$0.27)</b>	<b>(\$0.69)</b>	<b>(\$0.15)</b>	<b>\$0.15</b>	<b>\$0.04</b>	<b>(\$0.17)</b>	<b>(\$0.12)</b>
Fully Diluted Shares Outstanding (M)	40.5	41.7	45.9	41.7	41.7	41.7	43.1	57.4	62.8	63.4	56.7	64.4	65.3	66.3	67.3	65.8
<b>Adj. EBITDA</b>	<b>15.7</b>	<b>1.1</b>	<b>11.8</b>	<b>9.3</b>	<b>2.8</b>	<b>25.1</b>	<b>2.6</b>	<b>20.8</b>	<b>12.7</b>	<b>2.1</b>	<b>38.1</b>	<b>6.8</b>	<b>24.0</b>	<b>17.4</b>	<b>5.6</b>	<b>53.7</b>
Y/Y Change %						60%	145%	76%	37%	-27%	52%	164%	15%	37%	170%	41%
<b>Adj. EBITDA margin (%)</b>	<b>6%</b>	<b>2%</b>	<b>14%</b>	<b>13%</b>	<b>5%</b>	<b>9%</b>	<b>4%</b>	<b>21%</b>	<b>14%</b>	<b>3%</b>	<b>11%</b>	<b>8%</b>	<b>21%</b>	<b>16%</b>	<b>6%</b>	<b>14%</b>
<b>Adj. EBITDA/Share</b>	<b>\$0.39</b>	<b>\$0.03</b>	<b>\$0.26</b>	<b>\$0.22</b>	<b>\$0.07</b>	<b>\$0.60</b>	<b>\$0.06</b>	<b>\$0.36</b>	<b>\$0.20</b>	<b>\$0.03</b>	<b>\$0.67</b>	<b>\$0.11</b>	<b>\$0.37</b>	<b>\$0.26</b>	<b>\$0.08</b>	<b>\$0.82</b>

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

Source: Company reports and ThinkEquity LLC estimates

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

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

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

<b>Deferred Revenue &amp; Billings Analysis</b>								
<b>Total Deferred Revenue</b>	<b>27</b>			<b>38</b>	<b>38</b>	<b>41</b>	<b>51</b>	<b>58</b>
Deferred Revenue Q/Q Absolute Change				1	1	3	10	7
Q/Q % Change				1%	7%	25%	13%	13%
Y/Y % Change	24%			42%				54%
<b>Billings</b>				<b>62</b>	<b>76</b>	<b>109</b>	<b>96</b>	
Q/Q % Change					22%	45%	-12%	
Y/Y % Change								
<b>LTM Billings/FTM Revenue</b>		0%	0%	0%	19%	40%	69%	55%
<b>Billings (based only on Short-term Deferred Rev)</b>	<b>38</b>	<b>82</b>	<b>109</b>	<b>60</b>	<b>75</b>	<b>109</b>	<b>96</b>	
Q/Q % Change		114%	33%	-45%	25%	46%	-12%	
Y/Y % Change					96%	33%	-12%	
<b>Billings (based upon Cashflow chg. In Deferred Rev)</b>	<b>63</b>	<b>82</b>	<b>73</b>	<b>70</b>	<b>75</b>	<b>109</b>	<b>96</b>	
Q/Q % Change		29%	-10%	-4%	6%	46%	-12%	
Y/Y % Change					18%	33%	31%	

	2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E	Q1E	Q2E	Q3E	Q4E
	2009	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
<b>Cash Flow Model</b>													
<b>Cash from operations</b>	<b>27.5</b>				<b>42.1</b>	<b>40.1</b>	<b>26.5</b>	<b>13.2</b>	<b>(14.3)</b>	<b>34.0</b>	<b>26.7</b>	<b>(1.8)</b>	<b>(3.3)</b>
LTM total cash from operations per share					\$ 1.01			\$ 1.94	\$ 1.03	\$ 1.05	\$ 0.92	\$ 0.68	\$ 0.84
% of Billings					68%	53%	24%	14%					
<b>CapEx</b>	<b>(25.0)</b>				<b>(30.4)</b>	<b>(4.5)</b>	<b>(4.5)</b>	<b>(31.0)</b>	<b>(5.0)</b>	<b>(13.3)</b>	<b>(5.4)</b>	<b>(1.7)</b>	<b>(12.3)</b>
LTM Total	(25)				(30)			(70)	(45)	(54)	(55)	(25)	(33)
<b>Free cash flow</b>	<b>2.5</b>				<b>11.7</b>	<b>35.6</b>	<b>22.0</b>	<b>(17.8)</b>	<b>(19.3)</b>	<b>20.8</b>	<b>21.2</b>	<b>(3.4)</b>	<b>(15.6)</b>
LTM total free cash flow per share					\$ 0.28			\$ 0.82	\$ 0.32	\$ 0.10	\$ 0.07	\$ 0.29	\$ 0.35

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



**COMPANIES MENTIONED IN THIS REPORT:**

Company	Exchange	Symbol	Price	Rating
Microsoft Corporation	NASDAQ	MSFT	\$25.82	Hold

## Important Disclosures

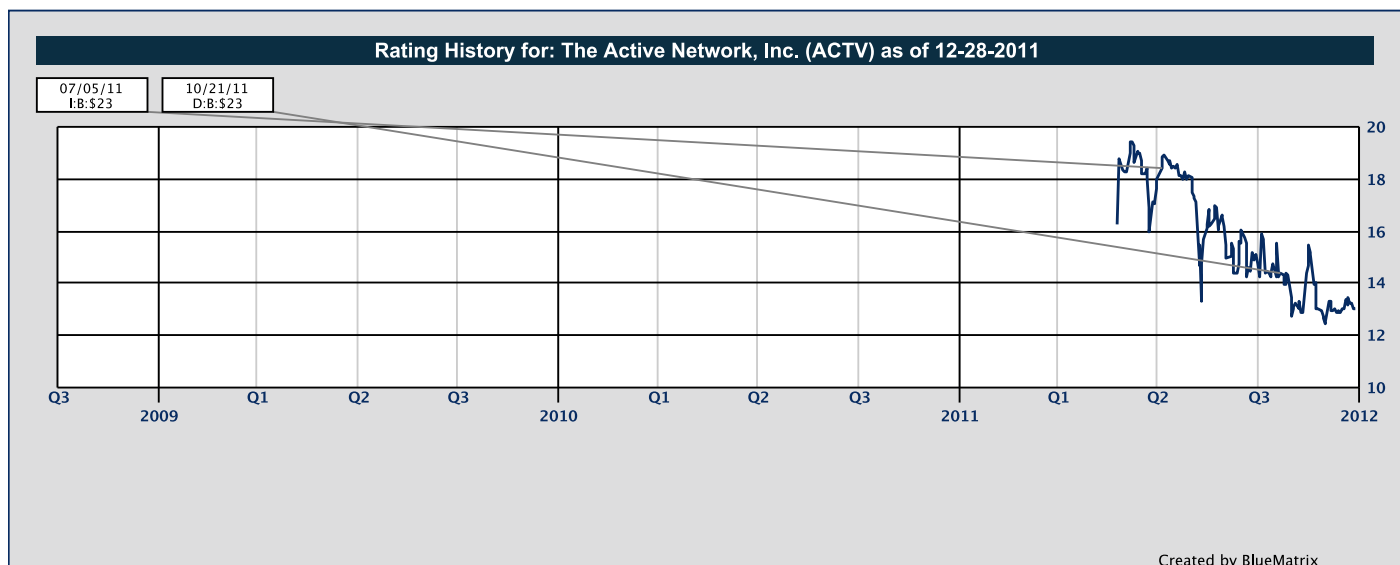
### Analyst Certification

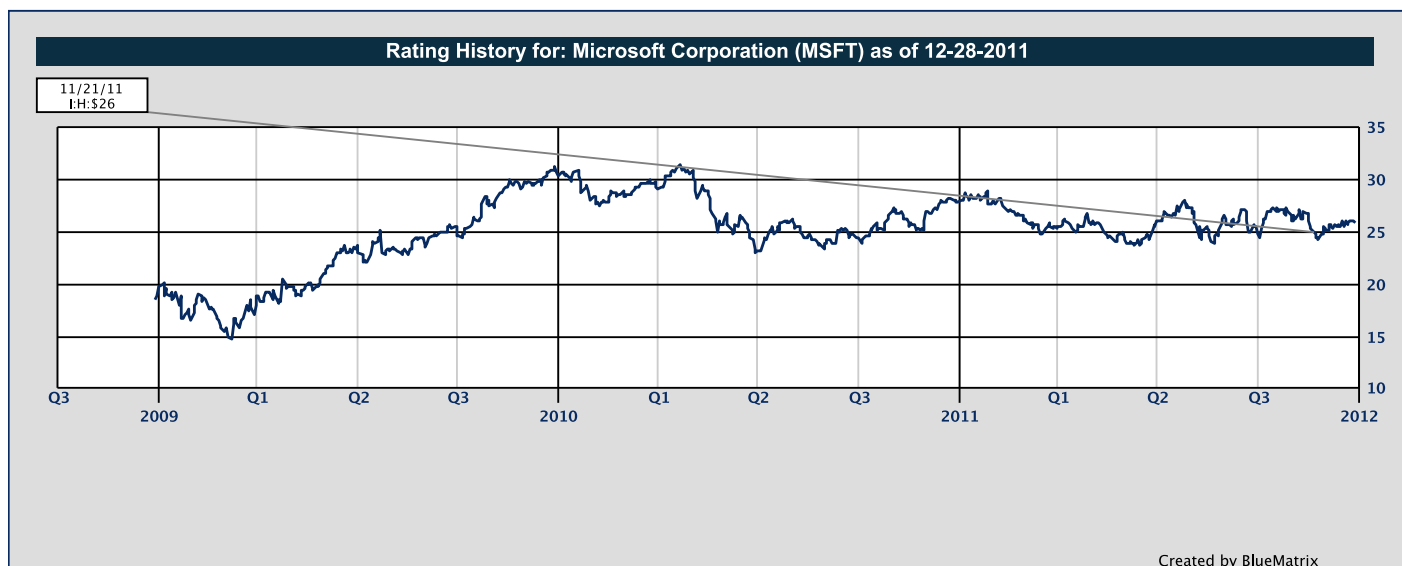
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## Rating Definitions

Effective October 7, 2009, ThinkEquity LLC moved from a four-tier Buy/Accumulate/Source of Funds/Sell rating system to a three-tier Buy/Hold/Sell system. The new ratings appear in our Distribution of Ratings, Firmwide chart. To request historical information, including previously published reports or statistical information, please call: 866-288-8206, or write to: Director of Research, ThinkEquity LLC, 600 Montgomery Street, San Francisco, California, 94111.

**Buy:** ThinkEquity expects the stock to generate positive risk-adjusted returns of more than 10% over the next 12 months. ThinkEquity recommends initiating or increasing exposure to the stock.

**Hold:** ThinkEquity expects the stock to generate risk-adjusted returns of +/-10% over the next 12 months. ThinkEquity believes the stock is fairly valued.

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Distribution of Ratings, Firmwide				
ThinkEquity LLC				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	109	64.90	14	12.84
HOLD [H]	47	28.00	2	4.26
SELL [S]	12	7.10	0	0.00

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