

TechTarget Inc  
Form 10-K  
July 16, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-K

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from to

Commission file number: 1-33472

TechTarget, Inc.  
(Exact name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation or  
Organization)

04-3483216  
(I.R.S. Employer Identification No.)

117 Kendrick Street, Suite 800  
Needham, Massachusetts  
(Address of Principal Executive Offices)

02494  
(Zip Code)

Registrant's telephone number, including area code: (781) 657-1000

Securities registered pursuant to Section 12(b) of the Exchange Act:

None.

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, \$0.001 Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

|  |  |  |  |
|--|--|--|--|
| Large Accelerated Filer <input type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> |
|  |  | (Do not check if a smaller reporting company)  |  |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$131.2 million as of June 30, 2008 (based on a closing price of \$10.56 per share as quoted by the Nasdaq Global Market as of such date). In determining the market value of non-affiliate common stock, shares of the registrant's common stock beneficially owned by officers, directors and affiliates have been excluded. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 41,745,193 shares of Common Stock, \$0.001 par value per share, outstanding as of June 30, 2009.

#### DOCUMENTS INCORPORATED BY REFERENCE

None.

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This Annual Report on Form 10-K contains forward-looking statements that are based on the beliefs of management and assumptions made by and information currently available to them. The words “expect,” “anticipate,” “believe,” “may,” “estimate,” “intend” and similar expressions are intended to identify such forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions including those described in “Risk Factors,” which could cause our actual results to be materially different from results expressed or implied by such forward-looking statements.

EXPLANATORY NOTE

On June 10, 2009, TechTarget, Inc. (“the Company”, “we”, “us” or similar pronouns) filed a Form 8-K which informed the public that the Company determined that its previously-issued consolidated financial statements should not be relied upon due to the Company’s review of its revenue recognition policies, and that the Company would be restating its consolidated financial statements as of and for the years ended December 31, 2004, 2005, 2006 and 2007, within its December 31, 2008 Form 10-K filing, and as of and for the quarter and year to date periods ended March 31, 2008 and 2007, June 30, 2008 and 2007, and September 30, 2008 and 2007, within its respective Form 10-Q/A filings. In this Form 10-K, the Company is restating its consolidated balance sheet as of December 31, 2007, and the related consolidated statements of operations, stockholders’ equity and cash flows for each of the fiscal years ended December 31, 2007 and 2006. This Form 10-K also reflects the restatement of “Selected Consolidated Financial Data” in Item 6 as of and for the fiscal years ended December 31, 2007, 2006, 2005 and 2004, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 for the fiscal years ended December 31, 2007 and 2006.

In connection with the Company’s financial statement close process for the year ended December 31, 2008, the Company concluded that its methodology for determining the timing of recognizing webcast revenues was improper. The Company had been recognizing the majority of the revenue in the month in which the webcast occurred. The Company concluded that the webcast revenues should have been recognized ratably over the period in which the webcasts were available on the websites of the Company and its partners. In connection with this finding, the Company performed a comprehensive review of its business processes pertaining to all of its service revenue offerings and the related application of accounting policies and procedures to those business processes. The Company identified additional errors in the recognition of revenue relating to its whitepaper, promotional emails and sponsorship offerings. In addition, the Company identified errors in its assessment of whether or not it had verifiable objective evidence of fair value for undelivered elements in its advertising campaigns. As a result, the Company determined that verifiable objective evidence of fair value did not exist for elements in its advertising campaigns with multiple elements. Instead of allocating revenue to separate units of accounting based upon verifiable objective evidence of fair value, all deliverables in multiple element arrangements should have been combined as a single unit of accounting and revenue should have been recognized for the entire arrangement over the service period. The Company had historically concluded that its revenue arrangements with multiple elements could be divided into separate units of accounting under the guidance prescribed in Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements With Multiple Deliverables.

The restatement is to correct errors in the amounts of its revenues, deferred revenues and provision for income taxes. The restatement for the error resulted in an increase (decrease) to revenues of (\$2,415,000) and \$187,000, a decrease to the provision for income taxes of (\$794,000) and (\$153,000), and an increase (decrease) to net income of (\$1,621,000) and \$340,000 for the years ended December 31, 2007 and 2006, respectively.

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PART I

Item 1. Business

Overview

TechTarget, Inc. was incorporated in Delaware on September 14, 1999. We are a leading provider of specialized online content that brings together buyers and sellers of corporate IT products. We sell customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases. We operate a network of over 60 websites, each of which focuses on a specific IT sector, such as storage, security or networking.

IT professionals rely on our websites for key decision support information tailored to their specific areas of responsibility. We complement our online offerings with targeted in-person events that enable advertisers to engage buyers at critical stages of their decision-making process for IT purchases. We work with our advertiser customers to develop customized marketing programs, often providing them with multiple offerings in order to more effectively target their desired audience. Our service offerings address both lead generation and branding objectives of our advertising customers. The majority of our 2008 revenues are associated with lead generation advertising campaigns.

As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. Our content strategy enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Our content strategy includes three primary sources of content which IT professionals use to assist them in their pre-purchase research: independent content, vendor generated content and user generated content. As of December 31, 2008, we employed over 100 full-time editors who create original content tailored for specific audiences, which we complement with content through our association with outside industry experts. In addition to utilizing our independent content, registered members are able to conduct their pre-purchase research by accessing vendor content such as white papers, webcasts, videocasts, virtual events and podcasts, across our network of websites. Our network of websites also allows users to seamlessly interact and contribute content which is highly valued by IT professionals during their research process.

We have a large and growing base of registered members, which totaled approximately 7.5 million as of December 31, 2008. The targeted nature of our user base enables IT vendors to reach a specialized audience efficiently because our content is highly segmented and aligned with the IT vendors' specific products. Since our founding in 1999, we have developed a broad customer base. During 2008 we delivered advertising campaigns for approximately 1,400 customers. No one customer represented more than 10% of revenues and the quarterly renewal rate of our top 100 customers has consistently exceeded 90%. We generated revenues of approximately \$105 million in 2008, up from approximately \$92 million in 2007. Over the same period, our Adjusted EBITDA decreased from approximately \$22 million in 2007 to approximately \$21 million in 2008. Revenues and Adjusted EBITDA for the year ended December 31, 2007 represent restated amounts as further described in Note 2 to the consolidated financial statements.

Available Information

Our website address is [www.techtarget.com](http://www.techtarget.com). We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). Our reports filed with the SEC are also available at the SEC's website at [www.sec.gov](http://www.sec.gov). Our Code of Business Conduct and Ethics, and any amendments to our Code of Business Conduct and Ethics Corporate Governance Guidelines and Board Committee Charters, are also available on our website. We

are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

#### Industry Background

The ongoing shift from traditional print and broad-based advertising to targeted online advertising that the media business has been experiencing continues to accelerate. We believe the three major trends driving this shift continue to be:

- **Targeted Content Channels Lead to Greater Efficiency for Advertisers.** The desire of advertisers to reach customers efficiently has led to the development and proliferation of market-specific content channels throughout all forms of media. Targeted content channels increase advertising efficiency by enabling advertisers to market specifically to the audience they are trying to reach. Content providers are finding new ways, such as specialized cable television channels, magazines and events, to offer increasingly targeted content to their audience and advertisers. The Internet has enabled even more market-specific content offerings, and the proliferation of market-specific websites provides advertisers with efficient and targeted media to reach their customers.
- **The Internet Improves Advertisers' Ability to Increase and Measure Return on Investment.** Advertisers are increasingly focused on measuring and improving their return on investment, or ROI. Before the advent of Internet-based marketing, there were limited tools for accurately measuring the results of marketing campaigns in a timely fashion. The Internet has enabled advertisers to track individual user responses to their marketing programs. With the appropriate technology, vendors now have the ability to assess and benchmark the efficacy of their online advertising campaigns cost-effectively and in real-time. As a result, advertisers are now increasingly demanding a measurable ROI across all forms of media.

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- The Internet Is Increasingly Critical in Researching Large, Complex and Costly Purchases. The Internet has improved the efficiency and effectiveness of researching purchases. The vast quantity of information available on the Internet, together with search engines and directories that facilitate information discovery, enables potential purchasers to draw information from many sources, including independent experts, peers and vendors, in an efficient manner. These benefits are most apparent in the research of complex and costly purchases which require information from a variety of sources. By improving the efficiency of product research, the Internet enables potential purchasers to save significant time and review a wider range of product selections.

### Corporate IT Purchasing

The trends toward targeted content channels, increased focus on ROI by advertisers and Internet-based product research are evident in the corporate IT market. Over the past two decades, corporate IT purchases have grown in size and complexity. The corporate IT market is comprised of multiple, large sectors, such as storage, security and networking. Each of these sectors can, in turn, be further divided into sub-sectors that contain products addressing the areas of specialization within an enterprise's IT environment. For example, within the multi-billion dollar storage sector, there are numerous sub-sectors such as storage area networks, storage management software and backup software. Furthermore, the products in each sub-sector may service entirely independent markets. For example, backup software for use in Windows environments can be distinct from that designed for use in Linux environments.

In view of the complexities, high cost and importance of IT decision-making, corporate IT purchasing decisions are increasingly being researched by teams of functional experts with specialized knowledge in their particular areas, rather than by one central IT professional, such as a chief information officer. The corporate IT purchasing process typically requires a lengthy sales cycle. The "sales cycle" is the sequence of stages that a typical customer goes through when deciding to purchase a product or service from a particular vendor. Key stages of a sales cycle typically consist of a customer recognizing or identifying a need; identifying possible solutions and vendors through research and evaluation; and finally, making a decision to purchase the product or service. Through various stages of this sales cycle, IT professionals rely upon multiple inputs from independent experts, peers and IT vendors. Although there is a vast amount of information available, the aggregation and validation of these inputs from various sources can be difficult and time-consuming.

The long sales cycle for corporate IT purchases, as well as the need for information support, require substantial investment on the part of IT vendors, which drives the significant marketing expenditures in the corporate IT market. In addition, technology changes at an accelerated pace and there are often multiple solutions to a particular IT need. With each new product or product enhancement, IT vendors implement new advertising campaigns and IT professionals must research new technologies.

### The Opportunity

Corporate IT professionals increasingly are demanding specialized websites and events tailored to the sub-sectors of IT solutions that they purchase. Prior to widespread Internet adoption, corporate IT buyers researching purchases relied largely on traditional IT media, consisting of broad print publications and large industry trade shows. As technology, vendors and IT professionals have all become much more specialized, the Internet has emerged as a preferred purchase research medium that has drastically reduced and improved research time. Despite this, most traditional IT media remains general in nature and disproportionately oriented towards print. Consequently, IT professionals continue to expend time searching inefficiently for information that is appropriate to their more specialized IT purchase requirements.

IT advertisers seek high-ROI marketing platforms that provide access to the specific sectors of IT buyers that align with the solutions they sell. Traditional IT media companies with print-based revenue models service a large



circulation with broad content. This minimizes the likelihood of a vendor reaching a buyer while he or she is actively researching the purchase of a solution that falls within the vendor's particular market sector. Although the Internet now offers advertisers a superior means to reach IT buyers while they are conducting research, the web properties operated by these traditional IT media companies offer online content and audiences that are in many cases derivative of their existing print efforts. Without a more targeted marketing platform oriented to IT professionals' need for decision support for specialized IT purchases, traditional IT media companies have faced difficulty meeting the ROI needs of IT marketers.

#### Our Solution

Our specialized content strategy enables IT vendors to reach corporate IT professionals who are actively researching purchases in specific IT sectors. Our online network of websites is complemented by conferences, seminars and other in-person events. Prior to December 2008, we also published a limited number of highly targeted print magazines in which IT vendors could reach IT professionals. As of December 2008, we discontinued publishing all print magazines and do not anticipate publishing any print magazines in the future. IT professionals rely on our platform for decision support information tailored to their specific purchasing needs. Our solution benefits from the following competitive advantages:

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- **Large and Growing Community of Registered Members.** We have built a registered member database with detailed business information on approximately 7.5 million IT professionals as of December 31, 2008. We have collected detailed business and technology profiles with respect to our registered members, which allows us to provide them with more specialized content and our advertisers with highly targeted audiences and sales leads.
- **Strong Advertiser Relationships.** Since our founding in 1999, we have developed a broad customer base that now comprises approximately 1,400 active advertisers and the quarterly renewal rate of our top 100 customers has consistently exceeded 90%.
- **Substantial Experience in Online Media.** We have over nine years of experience in developing our online media content, with a focus on providing targeted information to IT professionals and a targeted audience to vendors. Our experience enables us to develop new online properties rapidly, and to acquire and efficiently integrate select properties that further serve IT professionals. We have also developed an expertise in implementing integrated, targeted marketing campaigns designed to maximize the measurability of, and improvement in, ROI.
- **Significant Brand Recognition Among Advertisers and IT Professionals.** Our brand is well-recognized by advertisers who value our integrated marketing capabilities and high-ROI advertising programs. At the same time, our sector-specific websites command brand recognition among IT professionals, who rely on these websites because of their specificity and depth of content.
- **Favorable Search Engine Rankings.** Due to our long history of using a targeted approach toward online publishing, our network of websites has produced a large repository of archived content that allows us to appear on search result pages when users perform targeted searches on search engines such as Google. We are successful in attracting traffic from search engines, which, in turn, increases our registered membership.
- **Proprietary Lead Management Technology.** Our proprietary lead management technology enables IT vendors to prioritize and manage efficiently the leads we provide, improving the efficacy of their sales teams and optimizing the ROI on their marketing expenditures with us.

Our solution increases efficiency for both IT professionals and IT vendors. It facilitates the ability of IT professionals to find specific information related to their purchase decisions, while enabling IT vendors to reach IT buyers that are actively researching specific solutions related to vendors' products and services. Set forth below are several ways our solution benefits IT professionals and IT vendors:

### Benefits to IT Professionals

- **Provides Access to Integrated, Sector-Specific Content.** Our websites provide IT professionals with sector-specific content from the three fundamental sources they value in researching IT purchasing decisions: industry experts, peers and vendors. Our staff of editors creates content specific to the sectors we serve and the key sub-sectors within them. This content is integrated with other content generated by our network of third-party industry experts, member-generated content and content from IT vendors. The reliability, breadth and depth, and accessibility of our content offering enable IT professionals to make more informed purchases.
- **Increases Efficiency of Purchasing Decisions.** By accessing targeted and specialized information, IT professionals are able to research important purchasing decisions more effectively. Our integrated content offering minimizes the time spent searching for and evaluating content, and maximizes the time available for consuming quality content. Furthermore, we provide this specialized, targeted content through a variety of media that together address critical stages of the purchase decision process.

Benefits to IT Vendors

- **Targets Active Buyers Efficiently.** Our highly targeted content attracts specific, targeted audiences that are actively researching purchasing decisions. Using our registered member database, we are able to target further those registered members most likely to be of value to IT vendors. Advertising to a targeted audience minimizes advertiser expenditures on irrelevant audiences, increasing advertising efficiency.
- **Generates Measurable, High ROI.** Our targeted online content offerings enable us to generate and collect valuable business information about each user and his or her technology preferences. This information is provided by users prior to accessing specific content and can be further customized to advertisers' needs to support their advertising programs. As users access sponsored content, we register and process this information, and deliver qualified actionable leads in real-time. As a result, our advertisers are able to measure and improve the ROI on their advertising expenditures with us.

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- **Generates and Prioritizes Qualified Sales Leads.** Our IT vendors also use our detailed member database and integrated advertising campaigns to identify and market to the audience members they consider to have the highest potential value. Once the leads have been delivered, our proprietary lead management technology enables customers to categorize, prioritize and market more effectively to these leads.
- **Maximizes Awareness and Shortens the Sales Cycle.** As a leading distributor of vendor-provided IT white papers, webcasts, videocasts, virtual events, and podcasts, we offer IT vendors the opportunity to educate IT professionals during the research process, prior to any direct interaction with vendor salespeople. By distributing proprietary content and reaching their target audiences via our platform, IT vendors can educate audiences, demonstrate their product capabilities and proactively brand themselves as specific product leaders. As a result, an IT professional is knowledgeable about the vendors' specifications and product by the time he or she engages with the vendor, which reduces time and cost expended by the vendor's sales force.
- **Reaches IT Professionals at Critical Stages of the Purchase Decision Process.** Because our content platform includes online and event offerings, IT vendors can market to IT professionals at critical stages of the purchase decision process through multiple touch points. In addition to targeting IT professionals as they conduct purchase research on our website, IT vendors can have face-to-face interactions with qualified buyers seeking to finalize purchase decisions at our in-person events.

## Our Strategy

Our goal is to deliver superior performance by enhancing our position as a leading provider of specialized content that connects IT professionals with IT vendors in the sectors and sub-sectors that we serve. In order to achieve this goal, we intend to:

- **Continue to Develop Our Content Platform and Service Offerings.** We intend to continue to launch additional websites and develop our platform in order to capitalize on the ongoing shift from traditional broad-based media toward more focused online content that increases the efficiency of advertising spending. We intend to capture additional revenues from existing and new customers by continuing to develop our content and to segment it to deliver an increasingly specialized audience to the IT vendors who advertise across our media. We also intend to continue to deliver a highly engaged and growing audience to advertisers and to develop innovative marketing programs.
- **Expand into Complementary Sectors.** We intend to complement our current offerings by continuing to expand our business in order to capitalize on strategic opportunities in existing, adjacent, or new sectors that we believe to be well-suited to our business model and core competencies. Based on our experience, we believe we are able to capitalize rapidly and cost-effectively on new market opportunities.
- **Expand Our International Presence.** We intend to expand our addressable market by increasing our presence in countries outside the United States. Having launched our own websites in the United Kingdom in 2008, we expect to penetrate foreign markets further by directly launching additional sector specific websites in the UK and in additional foreign markets, as well as by licensing our content in new foreign territories and if deemed appropriate making strategic acquisitions and investments in overseas entities. During 2008, less than 5% of our revenues were derived from international customers. We believe many of the current trends contributing to our domestic online revenue opportunity also are occurring in international markets and therefore present a future revenue opportunity.
- **Selectively Acquire or Partner with Complementary Businesses.** We have used acquisitions as a means of rapidly expanding our content and service offerings, web traffic and registered members. Historically, our acquisitions can be classified into three categories; content-rich blogs or other individually published sites, typically generating less

than one million dollars in revenues; early stage revenue sites, typically generating between one and five million dollars in annual revenues; and later stage revenue sites, typically generating greater than five million dollars in annual revenues. We intend to continue to pursue selected acquisition or partnership opportunities in our core markets and in adjacent markets for products with similar characteristics.

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Platform & Content

Our integrated content platform consists of a network of websites that we complement with targeted in-person events. At critical stages of the purchase decision process, these content offerings meet IT professionals' needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high ROI.

The diagram below provides a representation of the media services provided by our platform and the media groups we currently use to categorize our content offerings:

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### Media Groups

Based upon the logical clustering of our users' respective job responsibilities and the marketing focus of the products that our customers are advertising, we currently categorize our content offerings across ten distinct media groups. Each of these media groups services a wide range of IT vendor sectors and sub-sectors and is driven by the key areas of IT professionals' interests described below:

- **Security.** Every aspect of enterprise computing now depends on secure connectivity, data and applications. The security sector is constantly growing to adapt to new forms of threats and to secure new technologies such as mobile devices and wireless networks. Compliance regulations along with highly publicized identity and intellectual property thefts are driving interest and investment in increasingly sophisticated security solutions that supplement common perimeter security solutions such as firewalls and antivirus software. Our online properties in this sector, SearchSecurity.com, SearchFinancialSecurity.com, SearchMidMarketSecurity.com and SearchSecurity.co.UK offer navigable and structured guides on IT vendor and technology solutions in key sub-sectors such as network security, intrusion defense, identity management and authentication, data and application security, and security information management software. Our annual Security Decisions conference anchors a calendar of topically-focused regional seminars on issues such as compliance monitoring and data protection.
- **Networking.** Broadly defined, the networking market includes the hardware, software and services involved in the infrastructure and management of both Enterprise and Carrier voice and data networks. As new sub-sectors of networking have emerged and grown in importance, IT networking professionals have increasingly focused their investments in such technologies as VoIP, wireless and mobile computing, and telecommunication technologies. Our online properties in this sector, SearchNetworking.com, SearchEnterpriseWAN.com, SearchUnifiedCommunications.com, SearchMobileComputing.com and SearchTelecom.com aim to address the specialized needs of these IT networking professionals by offering content targeted specifically to these emerging growth areas as well as key initiatives such as network security and access control, application visibility and performance monitoring, WAN acceleration and optimization, voice/data/video convergence, and remote office management and connectivity.
- **Storage.** The storage sector consists of the market for disk storage systems and tape hardware and software that store and manage data. Growth is fueled by trends inherent in the industry, such as the ongoing need to maintain and supplement data stores, and by external factors, such as expanded compliance regulations and increased focus on disaster recovery solutions. These latter trends have driven overall storage growth and led to new specialized solutions such as remote replication software and information life cycle management solutions. At the same time, established storage sub-sectors, such as backup and SANs have been invigorated by new technologies such as disk-based backup, continuous data protection and storage virtualization. Our online properties in this sector, SearchStorage.com, SearchDataBackup.com, SearchSMBStorage.com, SearchDisasterRecovery.com and SearchStorage.co.UK address IT professionals seeking solutions in key sub-sectors such as fibre channel SANs, IP & iSCSI SANs, NAS, backup hardware and software, and storage management software. The audiences at our in-person Storage Decision conferences are comprised almost exclusively of storage decision makers from within IT organizations. These events are supplemented by regional seminars on topics such as backup and disaster recovery.
- **Data Center and Virtualization Technologies.** Data centers house the systems and components, such as servers, storage devices, routers and switches, utilized in large-scale, mission-critical computing environments. A variety of trends and new technologies have reinvigorated the data center as a priority among IT professionals. Technologies, such as blade servers and server virtualization, have driven renewed investment in data center-class computing solutions. Server consolidation is now a focus, driven by the decline in large-scale computing prices relative to distributed computing models. These trends have put pressure on existing data center infrastructure and are driving

demand for solutions that address this. For example, the deployment of high-density servers has led to increased heat output and energy consumption in data centers. Power and cooling have thus become a significant cost in IT budgets, making data center energy efficiency a priority. Our key online properties in this sector provide targeted information on the IT vendors, technologies and solutions that serve these sub-sectors. Our properties in this sector include SearchDataCenter.com, covering disaster recovery, power and cooling, mainframe and UNIX servers, systems management, and server consolidation; SearchEnterpriseLinux.com, focused on Linux migration and infrastructures; Search400.com, covering mid-range computing; and SearchServerVirtualization.com (both server/data center-class sites) covering the decision points and alternatives for implementing server virtualization and SearchVMware.com, focusing on managing and building out virtualized environments on the most widely-installed server virtualization platform. The solutions and sub-sectors addressed at Data Center Decisions, our event hosting key decision makers from large data center computing environments, mirror those covered on our sites. Our Data Center Decisions regional seminars cover server virtualization implementation and related issues. We also cover servers, application and desktop solutions deployed in distributed computing environments. The dominant platform there, the Windows platform no longer represents an offering of discrete operating systems, but rather a diverse computing environment with its own areas of specialization around IT functions such as database administration and security. As Windows servers have become more stable and scalable, they have taken share in data centers, and currently represent one of the largest server sub-sectors. Given the breadth of the Windows market, we have segmented our Windows-focused media based on IT professionals' infrastructure responsibilities and purchasing focus. Our online properties in this sector include SearchWinServer.com, covering servers, storage, and systems management; SearchSQLServer.com, SearchDomino.com, SearchExchange.com and SearchWinIT.com, each targeted toward senior management for distributed computing environments. This network of sites provides resources and advice to IT professionals pursuing solutions related to such topics as Windows backup and storage, server consolidation, and upgrade planning. SearchEnterpriseDesktop.com, SearchDesktopVirtualization.com, BrianMadden.com and LabMice.net all focus on the deployment and management of end-user computing environments. Combined with our two properties that focus on server virtualization, SearchDesktopVirtualization.com and BrianMadden.com, each focusing on desktop virtualization, give us a comprehensive offering addressing the in fast-growing area of virtualization technologies. Our online offerings in this sector are supplemented by in-person regional seminars. Our BriForum conference focuses on desktop virtualization and related technologies.



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- **CIO/IT Strategy Media Group.** Our CIO/IT Strategy media group provides content targeted at Chief Information Officers, or CIOs, and senior IT executives, enabling them to make informed IT purchases throughout the critical stages of the purchase decision process. CIOs' areas of interest generally align with the major sectors of the IT market; however, CIOs increasingly are focused on the alignment between IT and their businesses' operations. Because businesses' IT strategies vary significantly based upon company size, we have segmented the CIO market by providing specific guidance to CIOs of large enterprises, mid-market enterprises and SMBs. Data center consolidation, compliance, ITIL/ IT service management, disaster recovery/business continuity, risk management and outsourcing (including software-as-a-service and cloud computing) have all drawn the attention of IT executives who need to understand the operational and strategic implications of these issues and technologies on their businesses. Accordingly, our targeted information resources for senior IT executives focus on ROI, implementation strategies, best practices and comparative assessment of vendor solutions related to these initiatives. Our online properties in this sector include SearchCIO-Midmarket.com which targets IT managers at small to medium-sized businesses. SearchCIO.com provides CIOs in large enterprises with strategic information focused on critical purchasing decisions. SearchCompliance.com provides advice on this strategic topic to IT and business executives and other senior IT managers.
- **Enterprise Applications.** Our Enterprise Applications media group focuses on mission critical software for mid-sized and large companies such as databases and data management applications, enterprise resource planning, and customer facing applications such as CRM software. Because these applications are critical to the overall success of the businesses that use them, there is a high demand for specialized information by IT and business professionals involved in their purchase, implementation, and ongoing support. Our properties in this sector include SearchCRM.com, SearchDataManagement.com, SearchOracle.com, SearchSAP.com and SearchManufacturingERP.com, which are leading online resources that provide this specialized information to support mission critical business applications. They cover CRM, business intelligence, data management, sales force automation, databases and ERP software.
- **Vertical Software.** The SMB market supports a high degree of specialization by software vendors, as applications are offered that address the business requirements of specific industry verticals such as construction, manufacturing, and many others. The purchase of these applications requires extensive up-front research by companies that, in many cases, may not have large or highly specialized IT staffs. Our web site 2020software.com helps decision-makers from small to mid-sized companies evaluate specialized business applications by providing side-by-side comparisons of the leading software providers in categories such as manufacturing, human resources, financial and accounting, and construction software. Users of the site can request further information and trial software downloads from multiple vendors in a single transaction, simplifying their research process. ConstructionSoftwareReview.com assists companies in evaluating and selecting construction software.
- **Application Development.** The application development sector is comprised of a broad landscape of tools and languages that enable developers to build, customize and integrate software for their businesses. Our application development online properties focus on development in enterprise environments, the underlying languages such as .NET, Java and XML as well as related application development tools and integrated development environments or IDEs. Several trends have had a profound impact on this sector and are driving growth. The desire for more flexible and interoperable applications architecture continues to propel interest in SOA and web services technologies. Application integration, application testing and security, as well as AJAX and rich Internet applications, are also key areas of continuing focus for vendors and developers. Our online properties in this sector include TheServerSide.com and TheServerSide.NET which host independent communities of developers and architects using Java and .NET, respectively, Ajaxian.com which serves developers of rich internet applications, SearchWinDevelopment.com serving Windows developers, SearchSoftwareQuality.com which offers content focused on application testing and quality assurance, SearchSOA.com which serves developers and architects building out service oriented architectures and working with related technologies. Our online properties are

supplemented by domestic and international conferences on enterprise development technologies.

- Channel. Our Channel properties address the information needs of channel companies—classified as resellers, value added resellers, solution providers, systems integrators, managed service providers, and consultants—in the IT market. As IT professionals have become more specialized, IT vendors actively have sought resellers with specific expertise in the vendors' sub-sectors. Like IT professionals, channel solution providers now require more focused technical content in order to operate successfully in their sectors. The resulting dynamics in the channel are well-suited to our integrated, targeted content strategy. Our online properties in this sector include SearchITchannel.com, SearchStorageChannel.com, SearchSecurityChannel.com, SearchNetworkingChannel.com and SearchSystemsChannel.com. As channel companies resell service and support hardware, software and services from vendors in a particular IT sector, the key areas of focus tend to parallel those for the sub-sectors addressed by our IT-focused properties: for storage, backup, storage virtualization and network storage solutions such as fibre channel SANs, NAS, IP SANs; for security, intrusion defense, compliance and identity management; for networking, wireless, network security and VoIP; for systems, blade servers, consolidation and server virtualization. Our online properties are supplemented by in-person regional seminars.

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- TechnologyGuide.com operates a portfolio of Internet content sites that provide product reviews, price comparisons and user forums for technology products such as laptops, desktops and smartphones including NotebookReview.com™, BrightHand.com™ (covering smartphones) and TabletPCReview.com™, PrinterComparison.com, DesktopReview.com and DigitalCameraReview.com. These sites represent an ideal complement to our enterprise-IT-focused TechTarget sites because IT professionals purchase a large volume of laptops, desktops, smartphones and mobile computing devices. Thus, these sites offer additional, complementary, in-depth content for our IT audience, as well as access for our advertisers to the broader audiences that visit these sites for information.

## User Generated Content and Vendor Content

ITKnowledgeExchange.com is a site devoted entirely to user generated content, and represents our most concentrated emphasis to date on facilitating peer to peer interaction amongst our users. The site incorporates a number of important Web 2.0 features, such as the use of tag-based navigation that allows users to self-classify content, and wiki-based Q&A functionality that allows them to collaborate with each other to respond to inquiries submitted by other users.

Bitpipe.com and KnowledgeStorm.com are sites that we operate and that host vendor-provided content such as white papers, software downloads, videocasts and webcasts. Maintaining centralized collections of this vendor content helps our users conduct pre-purchase research more easily, and allows us to maximize the ability of this content to be found by search engines. We provide contextually relevant inclusion of vendor content from Bitpipe.com and KnowledgeStorm.com on the other sites in our network.

## Media Offerings

We use the following online and event offerings to provide IT vendors with numerous touch points to reach key IT decision makers and to provide IT professionals with highly specialized content across multiple forms of media. We are experienced in assisting advertisers to develop custom advertising programs that maximize branding and ROI. The following is a description of the services we offer:

- Online. Our network of websites forms the core of our content platform. Our websites provide IT professionals with comprehensive decision support information tailored to their specific areas of responsibility and purchasing decisions. Through our websites, we offer a variety of online media offerings to connect IT vendors to IT professionals. Our lead generation offerings allow IT vendors to maximize ROI by capturing qualified sales leads from the distribution and promotion of content to our audience of IT professionals. Our branding offerings provide IT vendors exposure to targeted audiences of IT professionals actively researching information related to their product and services. Our branding offerings include banners and e-newsletters. Banner advertising can be purchased on specific websites within our network. We also offer the ability to advertise in e-newsletters focused on key site sub-topics. These offerings give IT vendors the ability to increase their brand awareness to highly specialized IT sectors.

Our lead generation offerings include the following:

- o White Papers. White papers are technical documents created by IT vendors to describe business or technical problems which are addressed by the vendors' products or services. IT vendors pay us to have their white papers distributed to our users and receive targeted promotion on our relevant websites. Prior to viewing white papers, our registered members and visitors supply their corporate contact information and agree to receive further information from the vendor. The corporate contact and other qualification information for these leads are supplied to the vendor in real time through our proprietary lead management software.

o Webcasts, Podcasts and Videocasts. IT vendors pay us to sponsor and host webcasts, podcasts, and videocasts that bring informational sessions directly to attendees' desktops and, in the case of podcasts, directly to their mobile devices. As is the case with white papers, our users supply their corporate contact and qualification information to the webcast, podcast or videocast sponsor when they view or download the content. Sponsorship includes access to the registrant information and visibility before, during and after the event.

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- o Software Package Comparisons. Through our 2020software.com website, IT vendors pay us to post information and specifications about their software packages, typically organized by application category. Users can request further information, which may include downloadable trial software from multiple software providers in sectors such as CRM, accounting software and business analytics. IT vendors, in turn, receive qualified leads based upon the users who request their information.
- o Promotional E-mails. IT vendors pay us to further target the promotion of their white papers, webcasts, podcasts or downloadable trial software by including their content in our periodic e-mail updates to registered users of our websites. Users who have voluntarily registered on our websites receive an e-mail update from us when vendor content directly related to their interests is listed on our sites.
- o List Rentals. We also offer IT vendors the ability to message relevant registered members on topics related to their interests. IT vendors can rent our e-mail and postal lists of registered members using specific criteria such as company size, geography or job title.
- o Contextual Advertising. Our contextual advertising programs associate IT vendor white papers, webcasts or other content on a particular topic with our related sector-specific content. IT vendors have the option to purchase exclusive sponsorship of content related to their product or category.
- o Third Party Revenue Sharing Arrangements. We have arrangements with certain third parties, including for the licensing of our online content, for the renting of our database of opted-in email subscribers and for which advertising from customers of certain third parties is made available to our website visitors. In each of these arrangements we are paid a share of the resulting revenue.
  - Events. Our in-person events bring together IT professionals to hear from industry experts and to talk to IT vendors about key topics of interest in the sectors we serve. The majority of our events are free to IT professionals and sponsored by IT vendors. Attendees are pre-screened based on event-specific criteria such as sector-specific budget size, company size, or job title. Our sponsors value the ability to meet with an audience of qualified IT decision makers who all have been pre-screened to determine a high level of buying interest and the ability to execute a purchase decision. We offer three types of events: multi-day conferences, seminars and custom events. Multi-day conferences provide independent expert content for our attendees, and allow vendors to purchase exhibit space and other sponsorship offerings that enable interaction with the attendees. We also hold single-day seminars on various topics in major cities. These seminars provide independent content on key sub-topics in the sectors we serve, are free to qualified attendees and offer multiple vendors the ability to interact with specific, targeted audiences actively focused on buying decisions. Our custom events differ from our seminars in that they are exclusively sponsored by a single IT vendor, and the content is driven primarily by the sole sponsor.

## Customers

We market to IT vendors targeting a specific audience within an IT sector or sub-sector. We maintain multiple points of contact with our customers in order to provide support throughout a given organization and during critical stages of the sales cycle. As a result, individual customers often run multiple advertising programs with us in order to reach discrete portions of our targeted audience. Our services are generally delivered under short-term contracts that run for the length of a given advertising program, typically less than 6 months in length. Since our founding in 1999, we have developed a broad customer base that now comprises approximately 1,400 active advertisers. During 2008, no one customer represented more than 10% of revenues and the quarterly renewal rate of our top 100 customers has consistently exceeded 90%.

## Sales and Marketing

Since our inception in 1999, we have maintained an internal direct sales department that works closely with existing and potential customers to develop customized marketing programs that provide highly targeted access to IT professionals. We organize the sales force by the sector-specific media groups that we operate, as well as a national accounts team that works with our largest advertisers. We believe that our sector-specific sales organization and integrated approach to our service offerings allows our sales personnel to develop a high level of expertise in the specific sectors they cover, and to create effective marketing programs tailored to the customer's specific objectives. As of December 31, 2008, our sales and marketing staff consisted of 206 people. The majority of our sales staff is located in our Needham, Massachusetts headquarters and our office in San Francisco, California.

We pursue a variety of marketing initiatives designed to support our sales activities by building awareness of our brand to IT vendors, and positioning ourselves as a "thought leader" in ROI-based marketing. These initiatives include purchasing online and event sponsorships in media vehicles that target the technology advertising market, as well as engaging in direct communications with the database of advertising contacts we have built since inception. Examples of our direct communications include selected direct mail updates on new product launches and initiatives. We also produce in-person events, videocasts and white papers for technology marketers where we provide information on the latest best practices in the field of online marketing. Additionally we publish a blog for marketers entitled "My Educated Guess", which we use as a thought leadership vehicle to promote our ideas and viewpoints on a myriad of online subjects.

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### Online User Acquisition

Our primary source of traffic to our websites is through non-paid traffic sources, such as our existing registered member base and organic search engine traffic. Organic search engine traffic is also the primary source of new registered members for our sites. Because our sites focus on specific sectors of the IT market, our content is highly targeted and is an effective means for attracting search engine traffic and resulting members. We also make user-focused marketing expenditures designed to supplement our non-paid traffic and registered members. We employ a variety of online marketing vehicles such as keyword advertising on the major search engines and targeted list rentals of opt-in e-mail subscribers from a variety of targeted media sources.

### Technological Infrastructure

We have developed an expandable operations infrastructure using hardware and software systems from established IT vendors to maintain our websites and online offerings. Our system hardware is co-located at an offsite data center. All of the critical components of the system are redundant, allowing us to withstand unexpected component failure and to undergo maintenance and upgrades. Our infrastructure is scalable, enabling us to make incremental additions that fit into the existing environment as our system requirements grow based on traffic and member growth. Our critical data is copied to backup tapes daily, which are sent to an off-site storage facility. We maintain a quality assurance process to monitor constantly our servers, processes and network connectivity. We have implemented these various redundancies and backup systems in order to minimize the risk associated with damage from fire, power loss, telecommunications failure, break-ins, computer viruses and other events beyond our control. We believe that continued development of our technological infrastructure is critical to our success. We have made, and expect to continue to make, technological improvements in this infrastructure to improve our ability to service our users and customers.

### Competition

We compete for potential advertisers with a number of different types of companies, including: broad-based media outlets, such as television, newspapers and business periodicals that are designed to reach a wide audience; general purpose portals and search engines; and offline and online offerings of media companies that produce content specifically for IT professionals. The market for advertisers is highly competitive, and in each of the sectors we serve as well as across the services we offer, our primary competitors are the media companies that produce content specifically for IT professionals. Our three primary competitors for advertisers, each of which possess substantial resources to compete, are United Business Media, International Data Group and Ziff Davis Enterprise, Inc. In the online market we generally compete on the basis of target audience, quality and uniqueness of information content, ease of use of our websites for IT professionals, and the quality and quantity of sales leads generated for advertisers. Our events generally compete on the basis of the quality and integrity of our content offerings, the quality of our attendees, and the ability to provide events that meet the needs of particular sector segments. As with the competition for advertisers, we compete for the users who comprise our target audiences primarily with the media companies that produce content specifically for IT professionals such as United Business Media, International Data Group and Ziff Davis Enterprise, Inc.

### User Privacy

We gather in-depth business information about our registered members who elect to provide us information through one or more of the online registration forms displayed on our websites, as well as through tracking certain behavioral activity of users of our sites. We post our privacy policy on our websites so that our users can access and understand the terms and conditions applicable to the collection and use of that information. Our privacy policy also discloses the types of information we gather, how we use it, and how a user can correct or change this information. Our privacy

policy also explains the circumstances under which we share this information and with whom. Users who register for our websites have the option of indicating specific areas of interest in which they are willing to receive offers via e-mail or postal mail; these offers contain content created either by us or our third-party IT vendor customers. To protect our disclosures and obligations to our users, we impose constraints that are generally consistent with our commitments to our user community on the customers to whom we provide user data. Additionally, when we provide lists to third parties, including to our advertiser customers, it is under contractual terms that are generally consistent with our obligations to our users and with applicable laws and regulations.

#### Consumer Protection Regulation

General. Advertising and promotional activities presented to visitors on our websites are subject to federal and state consumer protection laws that regulate unfair and deceptive practices. We are also subject to various other federal and state consumer protection laws, including the ones described below.

CAN-SPAM Act. Effective January 1, 2004, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, became effective. The CAN-SPAM Act regulates commercial e-mails and provides a right on the part of the recipient to request the sender to stop sending messages, and establishes penalties for the sending of e-mail messages that are intended to deceive the recipient as to source or content. Under the CAN-SPAM Act, senders of commercial e-mails (and other persons who initiate those e-mails) are required to make sure that those e-mails do not contain false or misleading transmission information. Commercial e-mails are required to include a valid return e-mail address and other subject heading information so that the sender and the Internet location from which the message has been sent are accurately identified. Recipients must be furnished with an electronic method of informing the sender of the recipient's decision not to receive further commercial e-mails. In addition, the e-mail must include a postal address of the sender and notice that the e-mail is an advertisement. The CAN-SPAM Act may apply to the e-newsletters that our websites distribute to registered members and to some of our other commercial e-mail communications. However, on May 12, 2008, the FTC issued additional regulations related to the CAN-SPAM Act, including interpretations of the Act that indicate that e-newsletters, such as those we distribute to our registered members, would be exempt from most of the provisions of the CAN-SPAM Act. At this time, we are applying the CAN-SPAM requirements to these e-mail communications, and believe that our e-mail practices comply with the requirements of the CAN-SPAM Act.



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Other Consumer Protection Regulation. The FTC and many state attorneys general are applying federal and state consumer protection laws to require that the online collection, use and dissemination of data, and the presentation of Web site content, comply with certain standards for notice, choice, security and access. Courts may also adopt these developing standards. In many cases, the specific limitations imposed by these standards are subject to interpretation by courts and other governmental authorities. In addition, on December 20, 2007, the FTC published for public comment proposed principles to address consumer privacy issues that may arise from so-called “behavioral targeting” (i.e. the tracking of a user’s online activities in order to deliver advertising tailored to his or her interests) and to encourage industry self-regulation. On February 12, 2009, following public comment, the FTC released a Staff Report with its revised principles for self-regulation of behavioral targeting. Although the FTC excluded from the principles both “first-party” behavioral advertising and contextual advertising, with respect to other types of behavioral targeting that include the storage of more, and potentially sensitive, data or that collects information outside of the “traditional Web site context” (such as through a mobile device or by an ISP), the FTC has stated that it will continue to evaluate self-regulatory programs. We believe that we are in compliance with the consumer protection standards that apply to us, but a determination by a state or federal agency or court that any of our practices do not meet these standards could create liability to us, result in adverse publicity and affect negatively our businesses. New interpretations of these standards could also require us to incur additional costs and restrict our business operations.

In addition, several foreign governmental bodies, including the European Union, the United Kingdom and Canada have regulations dealing with the collection and use of personal information obtained from their citizens, some of which we may be subject to as a result of the expansion of our business internationally. We believe that we are in compliance with the regulations that apply to us, however, such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) or the failure to anticipate accurately the application or interpretation of these laws could create liability to us, result in adverse publicity and affect negatively our businesses.

## Intellectual Property

We regard our copyrights, domain names, trademarks, trade secrets and similar intellectual property as critical to our success, and rely upon copyright, trademark and trade secrets laws, as well as confidentiality agreements with our employees and others, and protective contractual provisions to protect the proprietary technologies and content that we have developed. We pursue the registration of our material trademarks in the United States and elsewhere. Currently, our TechTarget trademark and logo, as well as the KnowledgeStorm and certain other marks and logos are registered federally in the United States and selected foreign jurisdictions and we have applied for U.S. and foreign registrations for various other marks. In addition, we have registered over 1000 domain names that are or may be relevant to our business, including “www.techtarget.com,” “www.knowledgestorm.com,” “www.bitpipe.com,” “www.technologyguide.com” and those leveraging the “search” prefix used in the branding of many of our websites. We also incorporate a number of third-party software products into our technology platform pursuant to relevant licenses. Some of this software is proprietary and some is open source. We use third-party software to maintain and enhance, among other things, the content generation and delivery, and support our technology infrastructure. We are not substantially dependent upon these third-party software licenses and we believe the licensed software is generally replaceable, by either licensing or purchasing similar software from another vendor or building the software functions ourselves.

## Employees

As of December 31, 2008, we had approximately 527 employees. Our current employees are not represented by a labor union and are not the subject of a collective bargaining agreement. We believe that we have a good relationship with our employees.

Item 1A. Risk Factors

The following discussion highlights certain risks which may affect future operating results and share price. These are the risks and uncertainties we believe are most important for our existing and potential stockholders to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

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### Risks Related to Our Business

The current economic recession and declining general economic, business, or industry conditions may continue to adversely affect the business of the Company, as well as our ability to forecast financial results.

The domestic and international economies continue to experience a significant recession. This recession has been magnified by the tightening of the availability and cost of credit, inflation, volatile energy costs, geopolitical issues, a declining U.S. real estate market, decreased business and consumer confidence and increased unemployment. These and other macro-economic conditions have contributed to increased volatility and diminished expectations for the global economy and expectations of future global economic growth. If the economic climate in the U.S. and abroad does not improve or continues to deteriorate, our customers or potential customers could reduce or delay their purchases of our offerings, which would adversely impact our revenues and our ability to sell our offerings, collect customer receivables and, ultimately, our profitability. Additionally, future economic conditions currently have an increased degree of inherent uncertainty. As a result, it is more difficult to estimate the level of growth or contraction for the economy as a whole, as well as for the various sectors of the economy, such as the IT market. Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the IT market and demand for our offerings, the prevailing economic uncertainties render accurate estimates of future income and expenditures very difficult to make. We cannot predict the effect or duration of this economic slowdown or the timing or strength of a subsequent economic recovery, worldwide or in the IT industry. Further adverse changes may occur as a result of soft global, domestic or regional economic conditions, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, or other factors affecting economic conditions generally. These changes may negatively affect the sales of our offerings, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase the risk of loss on investments.

Financial market instability and continued uncertain conditions in the United States and global economies have in the past and could in the future adversely affect our revenues and operating results.

We believe that the instability affecting the financial markets and a further deterioration in the current business climate within the United States and/or other geographic regions in which we do business have had, and could continue to have, a negative impact on our revenue and operating results. Because all of our clients are in the IT industry, the success of our business is intrinsically linked to the health, and subject to market conditions, of the IT industry. Regional, domestic and global economic weakness and uncertainty, and the limited access to sources of traditional capital and/or debt have resulted in some companies reassessing their spending, including for technology projects. In turn, many of our customers have reassessed and will, for the foreseeable future, be likely to continue to scrutinize their spending on advertising campaigns. Prior market downturns in the IT industry have resulted in declines in advertising spending, which can cause longer sales cycles, deferral or delay of purchases by IT vendors and generally reduced expenditures for advertising and related services. Our revenues and profitability depend on the overall demand for advertising services from our customers. We believe that demand for our offerings has been in the past, and could be in the future, disproportionately affected by fluctuations, disruptions, instability or downturns in the economy and the IT industry, which may cause customers and potential customers to exit the industry or delay, cancel or reduce any planned expenditures for our advertising offerings. Furthermore, competitors may respond to market conditions by lowering prices and attempting to lure away our customers and prospects to lower cost offerings. In addition, a slowdown in the formation of new IT companies, or a decline in the growth of existing IT companies, would cause a decline in demand for our offerings.

Because we depend on our ability to generate revenues from the sale of advertising, fluctuations in advertising spending could have an adverse effect on our operating results.

## Edgar Filing: TechTarget Inc - Form 10-K

The primary source of our revenues is the sale of advertising to our customers. We believe that advertising spending on the Internet, as in traditional media, fluctuates significantly as a result of a variety of factors, many of which are outside of our control. These factors include:

- variations in expenditures by advertisers due to budgetary constraints;
- the cancellation or delay of projects by advertisers;
- the cyclical and discretionary nature of advertising spending;
- general economic conditions, as well as economic conditions specific to the Internet and online and offline media industry; and
- the occurrence of extraordinary events, such as natural disasters, international or domestic terrorist attacks or armed conflict.

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Because all of our customers are in the IT industry, our revenues are subject to characteristics of the IT industry that can affect advertising spending by IT vendors.

The IT industry is characterized by, among other things, volatile quarterly results, uneven sales patterns, short product life cycles, rapid technological developments and frequent new product introductions and enhancements. As a result, our customers' advertising budgets, which are often viewed as discretionary expenditures, may increase or decrease significantly over a short period of time. In addition, the advertising budgets of our customers may fluctuate as a result of:

- weakness in corporate IT spending resulting in a decline in IT advertising spending;
- increased concentration in the IT industry as a result of consolidations, leading to a decrease in the number of current and prospective customers, as well as an overall reduction in advertising;
  - spending by combined entities following such consolidations;
- the timing of advertising campaigns around new product introductions and initiatives; and
  - economic conditions specific to the IT industry.

Our quarterly operating results are subject to fluctuations, and these fluctuations may adversely affect the trading price of our common stock.

We have experienced and expect to experience fluctuations in our quarterly revenues and operating results. Our quarterly revenues and operating results may fluctuate from quarter to quarter due to a number of factors, many of which are outside of our control. In addition to the factors described elsewhere in this "Risk Factors" section, these factors include:

- the spending priorities and advertising budget cycles of specific advertisers;
  - the addition or loss of advertisers;
- the addition of new sites and services by us or our competitors; and
  - seasonal fluctuations in advertising spending.

Due to such risks, you should not rely on quarter-to-quarter comparisons of our results of operations as an indicator of our future results. Due to the foregoing factors, it is also possible that our results of operations in one or more quarters may fall below the expectations of investors and/or securities analysts. In such an event, the trading price of our common stock is likely to decline.

Our revenues are primarily derived from short-term contracts that may not be renewed.

The primary source of our revenues is the sale of advertising to our customers, and we expect that this will continue to be the case for the foreseeable future. Our advertising contracts are primarily short-term, typically less than 6 months, and are generally subject to termination without substantial penalty by the customer at any time, generally with minimal notice requirements. We cannot assure you that our current customers will fulfill their obligations under their existing contracts, continue to participate in our existing programs beyond the terms of their existing contracts or enter into any additional contracts for new programs that we offer. If a significant number of advertisers or a few large advertisers decided not to continue advertising on our websites or conducting or sponsoring events, we could experience a rapid decline in our revenues over a relatively short period of time.

If we are unable to deliver content and services that attract and retain users, our ability to attract advertisers may be affected, which could in turn have an adverse affect on our revenues.

Our future success depends on our ability to deliver original and compelling content and services to attract and retain users. Our user base is comprised of corporate IT professionals who demand specialized websites and events tailored

to the sectors of the IT products for which they are responsible and that they purchase. Our content and services may not be attractive to a sufficient number of users to attract advertisers and generate revenues consistent with our estimates. We also may not develop new content or services in a timely or cost-effective manner. Our ability to develop and produce this specialized content successfully is subject to numerous uncertainties, including our ability to:

- anticipate and respond successfully to rapidly changing IT developments and preferences to ensure that our content remains timely and interesting to our users;
  - attract and retain qualified editors, writers and technical personnel;
  - fund new development for our programs and other offerings;
- successfully expand our content offerings into new platform and delivery mechanisms; and
  - promote and strengthen the brands of our websites and our name.

If we are not successful in maintaining and growing our user base, our ability to retain and attract advertisers may be affected, which could in turn have an adverse affect on our revenues.

Our inability to sustain our historical advertising rates could adversely affect our operating results.

The market for advertising has fluctuated over the past few years. If we are unable to maintain historical pricing levels for advertising on our websites and for sponsorships at our events, our revenues could be adversely affected.

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Competition for advertisers is intense, and we may not compete successfully which could result in a material reduction in our market share, the number of our advertisers and our revenues.

We compete for potential advertisers with a number of different types of offerings and companies, including: broad-based media outlets, such as television, newspapers and business periodicals that are designed to reach a wide audience; general purpose portals and search engines; and offline and online offerings of media companies that produce content specifically for IT professionals, including International Data Group, United Business Media and Ziff Davis Enterprise. Advertisers may choose our competitors over us not only because they prefer our competitors' online and events offerings to ours, but also because advertisers prefer to utilize other forms of advertising offered by our competitors that are not offered by us. Although less than 5% of our revenues for the year ended December 31, 2008 were derived from advertisers located outside of North America, as we continue to expand internationally, as we have in 2008 by operating our own websites in the United Kingdom, we expect to compete with many of the competitors mentioned above, as well as with established media companies based in particular countries or geographical regions. Many of these foreign-based media companies will be larger than we are and will have established relationships with local advertisers. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we have. As a result, we could lose market share to our competitors in one or more of our businesses and our revenues could decline.

We depend upon Internet search engines to attract a significant portion of the users who visit our websites, and if we were listed less prominently in search result listings, our business and operating results would be harmed.

We derive a significant portion of our website traffic from users who search for IT purchasing content through Internet search engines, such as Google, MSN and Yahoo! A critical factor in attracting users to our websites is whether we are prominently displayed in response to an Internet search relating to IT content. Search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine. The algorithms determine the order of the listing of results in response to the user's Internet search. From time to time, search engines revise these algorithms. In some instances, these modifications may cause our websites to be listed less prominently in unpaid search results, which will result in decreased traffic from search engine users to our websites. Our websites may also become listed less prominently in unpaid search results for other reasons, such as search engine technical difficulties, search engine technical changes and changes we make to our websites. In addition, search engines have deemed the practices of some companies to be inconsistent with search engine guidelines and have decided not to list their websites in search result listings at all. If we are listed less prominently or not at all in search result listings for any reason, the traffic to our websites likely will decline, which could harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which also could harm our operating results.

We may not innovate at a successful pace, which could harm our operating results.

Our industry is rapidly adopting new technologies and standards to create and satisfy the demands of users and advertisers. It is critical that we continue to innovate by anticipating and adapting to these changes to ensure that our content-delivery platforms and services remain effective and interesting to our users, advertisers and partners. In addition, we may discover that we must make significant expenditures to achieve these goals. If we fail to accomplish these goals, we may lose users and the advertisers that seek to reach those users, which could harm our operating results.

We may be unable to continue to build awareness of our brands, which could negatively impact our business and cause our revenues to decline.

Building and maintaining recognition of our brands is critical to attracting and expanding our online user base and attendance at our events. We intend to continue to build existing brands and introduce new brands that will resonate with our targeted audiences, but we may not be successful. In order to promote these brands, in response to competitive pressures or otherwise, we may find it necessary to increase our marketing budget, hire additional marketing and public relations personnel or otherwise increase our financial commitment to creating and maintaining brand loyalty among our clients. If we fail to promote and maintain our brands effectively, or incur excessive expenses attempting to promote and maintain our brands, our business and financial results may suffer.

Given the tenure and experience of our Chief Executive Officer and President, and their guiding roles in developing our business and growth strategy since our inception, our growth may be inhibited or our operations may be impaired if we were to lose the services of either of them.

Our growth and success depends to a significant extent on our ability to retain Greg Strakosch, our Chief Executive Officer, and Don Hawk, our President, who founded the company and have developed, engineered and stewarded the growth and operation of our business since its inception. The loss of the services of either of these persons could inhibit our growth or impair our operations and cause our stock price to decline.

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We may not be able to attract, hire and retain qualified personnel cost-effectively, which could impact the quality of our content and services and the effectiveness and efficiency of our management, resulting in increased costs and losses in revenues.

Our success depends on our ability to attract, hire and retain at commercially reasonable rates qualified technical editorial, sales and marketing, customer support, financial and accounting, legal and other managerial personnel. The competition for personnel in the industries in which we operate is intense. Our personnel may terminate their employment at any time for any reason. Loss of personnel may also result in increased costs for replacement hiring and training. If we fail to attract and hire new personnel or retain and motivate our current personnel, we may not be able to operate our businesses effectively or efficiently, serve our customers properly or maintain the quality of our content and services. In particular, our success depends in significant part on maintaining and growing an effective sales force. This dependence involves a number of challenges, including:

- the need to hire, integrate, motivate and retain additional sales and sales support personnel;
- the need to train new sales personnel, many of whom lack sales experience when they are hired; and
  - competition from other companies in hiring and retaining sales personnel.

We may fail to identify or successfully acquire and integrate businesses, services and technologies that would otherwise enhance our service offerings to our customers and users, and as a result our revenues may decline or fail to grow.

We have acquired, and in the future may acquire or invest in, complementary businesses, services or technologies. Acquisitions and investments involve numerous risks including:

- difficulty in assimilating the operations and personnel of acquired businesses;
- potential disruption of our ongoing businesses and distraction of our management and the management of acquired companies;
  - difficulty in incorporating acquired technology and rights into our offerings and services;
  - unanticipated expenses related to technology and other integration;
- potential failure to achieve additional sales and enhance our customer bases through cross marketing of the combined company's services to new and existing customers;
  - potential litigation resulting from our business combinations or acquisition activities; and
  - potential unknown liabilities associated with the acquired businesses.

Our inability to integrate any acquired business successfully, or the failure to achieve any expected synergies, could result in increased expenses and a reduction in expected revenues or revenue growth. As a result, our stock price could fluctuate or decline. In addition, we cannot assure you that we will be successful in expanding into complementary sectors in the future, which could harm our business, operating results and financial condition.

The costs associated with potential acquisitions or strategic partnerships could dilute your investment or adversely affect our results of operations.

In order to finance acquisitions, investments or strategic partnerships, we may use equity securities, debt, cash, or a combination of the foregoing. Any issuance of equity securities or securities convertible into equity may result in substantial dilution to our existing stockholders, reduce the market price of our common stock, or both. Any debt financing is likely to have financial and other covenants that could have an adverse impact on our business if we do not achieve our projected results. In addition, the related increases in expenses could adversely affect our results of operations.

We have limited protection of our intellectual property and could be subject to infringement claims that may result in costly litigation, the payment of damages or the need to revise the way we conduct our business.

Our success and ability to compete are dependent in part on the strength of our proprietary rights, on the goodwill associated with our trademarks, trade names and service marks, and on our ability to use U.S. and foreign laws to protect them. Our intellectual property includes, among other things, our original content, our editorial features, logos, brands, domain names, the technology that we use to deliver our services, the various databases of information that we maintain and make available by license, and the appearance of our websites. We claim common law protection on certain names and marks that we have used in connection with our business activities. Although we have applied for and obtained registration of many of our marks in countries outside of the United States where we do business, we have not been able to obtain registration of all of our key marks in such jurisdictions, in some cases due to prior registration or use by third parties employing similar marks. In addition to U.S. and foreign laws, we rely on confidentiality agreements with our employees and third parties and protective contractual provisions to safeguard our intellectual property. Policing our intellectual property rights worldwide is a difficult task, and we may not be able to identify infringing users. We cannot be certain that third party licensees of our content will always take actions to protect the value of our proprietary rights and reputation. Intellectual property laws and our agreements may not be sufficient to prevent others from copying or otherwise obtaining and using our content or technologies. In addition, others may develop non-infringing technologies that are similar or superior to ours. In seeking to protect our marks, copyrights, domain names and other proprietary rights, or in defending ourselves against claims of infringement that may be with or without merit, we could face costly litigation and the diversion of our management's attention and resources. These claims could result in the need to develop alternative trademarks, content or technology or to enter into costly royalty or licensing agreements, which could have a material adverse effect on our business, results of operations and financial condition. We may not have, in all cases, conducted formal evaluations to confirm that our technology and services do not or will not infringe upon the intellectual property rights of third parties. As a result, we cannot be certain that our technology, offerings, services or online content do not or will not infringe upon the intellectual property rights of third parties. If we were found to have infringed on a third party's intellectual property rights, the value of our brands and our business reputation could be impaired, and our business could suffer.

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Our business could be harmed if we are unable to correspond with existing and potential users by e-mail.

We use e-mail as a significant means of communicating with our existing users. The laws and regulations governing the use of e-mail for marketing purposes continue to evolve, and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation and/or changes to existing laws. If new laws or regulations are adopted, or existing laws and regulations are interpreted and/or amended or modified, to impose additional restrictions on our ability to send e-mail to our users or potential users, we may not be able to communicate with them in a cost-effective manner. In addition to legal restrictions on the use of e-mail, Internet service providers and others typically attempt to block the transmission of unsolicited e-mail, commonly known as “spam.” If an Internet service provider or software program identifies e-mail from us as “spam,” we could be placed on a restricted list that would block our e-mail to users or potential users who maintain e-mail accounts with these Internet service providers or who use these software programs. If we are unable to communicate by e-mail with our users and potential users as a result of legislation, blockage or otherwise, our business, operating results and financial condition could be harmed.

Changes in laws and standards relating to data collection and use practices and the privacy of Internet users and other data could impair our efforts to maintain and grow our audience and thereby decrease our advertising revenue.

We collect information from our users who register on our websites or for services, or respond to surveys. Subject to each user’s permission (or right to decline, which we refer to as an “opt-out”), we may use this information to inform our users of services that they have indicated may be of interest to them. We may also share this information with our advertising clients for registered members who have elected to receive additional promotional materials and have granted us permission to share their information with third parties. The U.S. federal and various state governments have adopted or proposed limitations on the collection, distribution and use of personal information of Internet users. Several foreign jurisdictions, including the European Union, the United Kingdom and Canada, have adopted legislation (including directives or regulations) that may increase the requirements for collecting, or limit our collection and use of, information from Internet users in these jurisdictions. In addition, growing public concern about privacy, data security and the collection, distribution and use of personal information has led to self-regulation of these practices by the Internet advertising and direct marketing industry, and to increased federal and state regulation. Because many of the proposed laws or regulations are in their early stages, we cannot yet determine the impact these regulations may have on our business over time. Although, to date, our efforts to comply with applicable federal and state laws and regulations have not hurt our business, additional, more burdensome laws or regulations, including consumer privacy and data security laws, could be enacted or applied to us or our customers. Such laws or regulations could impair our ability to collect user information that helps us to provide more targeted advertising to our users, thereby impairing our ability to maintain and grow our audience and maximize advertising revenue from our advertising clients. Additionally, the US Federal Trade Commission (the “FTC”) and many state attorneys general are applying federal and state consumer protection laws to require that the online collection, use and dissemination of data, and the presentation of Web site content, comply with certain standards for notice, choice, security and access. Courts may also adopt these developing standards. In many cases, the specific limitations imposed by these standards are subject to interpretation by courts and other governmental authorities. In addition, on December 20, 2007, the FTC published for public comment proposed principles to address consumer privacy issues that may arise from so-called “behavioral targeting” (i.e. the tracking of a user’s online activities in order to deliver advertising tailored to his or her interests) and to encourage industry self-regulation. On February 12, 2009, following public comment, the FTC released a Staff Report with its revised principles for self-regulation of behavioral targeting. Although the FTC currently appears to be less concerned with the “first-party” behavioral and contextual advertising than other types of behavioral targeting that include the storage of more, and potentially sensitive, data or that collects information outside of the “traditional Web site context” (such as through a mobile device or by an ISP), the FTC has stated that it will continue to evaluate self-regulatory programs. In the event of additional legislation in this area, our ability to effectively target our users may be limited. We believe that we are in compliance with the consumer protection

standards that apply to us, but a determination by a state or federal agency or court that any of our practices do not meet these standards could create liability to us, result in adverse publicity and affect negatively our businesses. New interpretations of these standards could also require us to incur additional costs and restrict our business operations. In addition, several foreign governmental bodies, including the European Union, the United Kingdom and Canada have regulations dealing with the collection and use of personal information obtained from their citizens, some of which we may be subject to as a result of the expansion of our business internationally. We believe that we are in compliance with the regulations that apply to us, however, such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) or the failure to anticipate accurately the application or interpretation of these laws could create liability to us, result in adverse publicity and affect negatively our businesses.

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There are a number of risks associated with expansion of our business internationally that could adversely affect our business.

We have over 11 license and other arrangements in various countries and maintain direct presences in the United Kingdom and India. In addition to facing many of the same challenges we face domestically, there are additional risks and costs inherent in expanding our business in international markets, including:

- limitations on our activities in foreign countries where we have granted rights to existing business partners;
- the adaptation of our websites and advertising programs to meet local needs and to comply with local legal regulatory requirements;
- varied, unfamiliar and unclear legal and regulatory restrictions, as well as unforeseen changes in, legal and regulatory requirements;
  - more restrictive data protection regulation, which may vary by country;
  - difficulties in staffing and managing multinational operations;
  - difficulties in finding appropriate foreign licensees or joint venture partners;
  - distance, language and cultural differences in doing business with foreign entities;
  - foreign political and economic uncertainty;
- less extensive adoption of the Internet as an information source and increased restriction on the content of websites;
  - currency exchange-rate fluctuations; and
  - potential adverse tax requirements.

As a result, we may face difficulties and unforeseen expenses in expanding our business internationally and even if we attempt to do so, we may be unsuccessful, which could harm our business, operating results and financial condition.

Changes in regulations could adversely affect our business and results of operations.

It is possible that new laws and regulations or new interpretations of existing laws and regulations in the United States and elsewhere will be adopted covering issues affecting our business, including:

- privacy, data security and use of personally identifiable information;
- copyrights, trademarks and domain names; and
- marketing practices, such as e-mail or direct marketing.

Increased government regulation, or the application of existing laws to online activities, could:

- decrease the growth rate of the Internet;
- reduce our revenues;
- increase our operating expenses; or
- expose us to significant liabilities.

Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is still evolving. Therefore, we might be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Any impairment in the value of these important assets could cause our stock price to decline. We cannot be sure what effect any future material noncompliance by us with these laws and regulations or any material changes in these laws and regulations could have on our business, operating results and financial condition.

As a creator and a distributor of content over the Internet, we face potential liability for legal claims based on the nature and content of the materials that we create or distribute.

Due to the nature of content published on our online network, including content placed on our online network by third parties, and as a creator and distributor of original content and research, we face potential liability based on a variety of theories, including defamation, negligence, copyright or trademark infringement, or other legal theories based on the nature, creation or distribution of this information. Such claims may also include, among others, claims that by providing hypertext links to websites operated by third parties, we are liable for wrongful actions by those third parties through these websites. Similar claims have been brought, and sometimes successfully asserted, against online services. It is also possible that our users could make claims against us for losses incurred in reliance on information provided on our networks. In addition, we could be exposed to liability in connection with material posted to our Internet sites by third parties. For example, many of our sites offer users an opportunity to post unmoderated comments and opinions. Some of this user-generated content may infringe on third party intellectual property rights or privacy rights or may otherwise be subject to challenge under copyright laws. Such claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant cost to investigate and defend, regardless of the merit of these claims. In addition, if we become subject to these types of claims and are not successful in our defense, we may be forced to pay substantial damages. Our insurance may not adequately protect us against these claims. The filing of these claims may also damage our reputation as a high quality provider of unbiased, timely analysis and result in client cancellations or overall decreased demand for our services.

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We may be liable if third parties or our employees misappropriate our users' confidential business information.

We currently retain confidential information relating to our users in secure database servers. Although we observe security measures throughout our operations, we cannot assure you that we will be able to prevent individuals from gaining unauthorized access to these database servers. Any unauthorized access to our servers, or abuse by our employees, could result in the theft of confidential user information. If confidential information is compromised, we could lose customers or become subject to liability or litigation and our reputation could be harmed, any of which could materially and adversely affect our business and results of operations.

Our business, which is dependent on centrally located communications and computer hardware systems, is vulnerable to natural disasters, telecommunication and systems failures, terrorism and other problems, which could reduce traffic on our networks or websites and result in decreased capacity for advertising space.

Our operations are dependent on our communications systems and computer hardware, all of which are located in data centers operated by third parties. These systems could be damaged by fire, floods, earthquakes, power loss, telecommunication failures and similar events. Our insurance policies have limited coverage levels for loss or damages in these events and may not adequately compensate us for any losses that may occur. In addition, terrorist acts or acts of war may cause harm to our employees or damage our facilities, our clients, our clients' customers and vendors, or cause us to postpone or cancel, or result in dramatically reduced attendance at, our events, which could adversely impact our revenues, costs and expenses and financial position. We are predominantly uninsured for losses and interruptions to our systems or cancellations of events caused by terrorist acts and acts of war.

Our systems may be subject to slower response times and system disruptions that could adversely affect our revenues.

Our ability to attract and maintain relationships with users, advertisers and strategic partners will depend on the satisfactory performance, reliability and availability of our Internet infrastructure. Our Internet advertising revenues relate directly to the number of advertisements and other marketing opportunities delivered to our users. System interruptions or delays that result in the unavailability of Internet sites or slower response times for users would reduce the number of advertising impressions and leads delivered. This could reduce our revenues as the attractiveness of our sites to users and advertisers decreases. Our insurance policies provide only limited coverage for service interruptions and may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems. Further, we do not have multiple site capacity for all of our services in the event of any such occurrence.

We may experience service disruptions for the following reasons:

- occasional scheduled maintenance;
- equipment failure;
- volumes of visits to our websites that exceed our infrastructure's capacity; and
- natural disasters, telecommunications failures, power failures, other system failures, maintenance, viruses, hacking or other events outside of our control.

In addition, our networks and websites must accommodate a high volume of traffic and deliver frequently updated information. They have experienced in the past, and may experience in the future, slower response times or decreased traffic for a variety of reasons. There have been instances where our online networks as a whole, or our websites individually, have been inaccessible. Also, slower response times, which have occurred more frequently, can result from general Internet problems, routing and equipment problems involving third party Internet access providers, problems with third party advertising servers, increased traffic to our servers, viruses and other security breaches, many of which problems are out of our control. In addition, our users depend on Internet service providers and online service providers for access to our online networks or websites. Those providers have experienced outages and delays

in the past, and may experience outages or delays in the future. Moreover, our Internet infrastructure might not be able to support continued growth of our online networks or websites. Any of these problems could result in less traffic to our networks or websites or harm the perception of our networks or websites as reliable sources of information. Less traffic on our networks and websites or periodic interruptions in service could have the effect of reducing demand for advertising on our networks or websites, thereby reducing our advertising revenues.

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Our networks may be vulnerable to unauthorized persons accessing our systems, viruses and other disruptions, which could result in the theft of our proprietary information and/or disrupt our Internet operations making our websites less attractive and reliable for our users and advertisers.

Internet usage could decline if any well-publicized compromise of security occurs. “Hacking” involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment. Hackers, if successful, could misappropriate proprietary information or cause disruptions in our service. We may be required to expend capital and other resources to protect our websites against hackers. Our online networks could also be affected by computer viruses or other similar disruptive problems, and we could inadvertently transmit viruses across our networks to our users or other third parties. Any of these occurrences could harm our business or give rise to a cause of action against us. Providing unimpeded access to our online networks is critical to servicing our customers and providing superior customer service. Our inability to provide continuous access to our online networks could cause some of our customers to discontinue purchasing advertising programs and services and/or prevent or deter our users from accessing our networks. Our activities and the activities of third party contractors involve the storage and transmission of proprietary and personal information. Accordingly, security breaches could expose us to a risk of loss or litigation and possible liability. We cannot assure that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements.

We will continue to incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

We will continue to incur significant legal, accounting and other expenses as a public company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, or Nasdaq, has imposed various new requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, these rules and regulations may require us to incur substantial costs to maintain the same or similar director and officer liability insurance coverage.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, although we have completed our system and process evaluation and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, ongoing compliance with Section 404 requires that we continue to incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and have engaged outside accounting and advisory services with appropriate public company experience and technical accounting knowledge to assist with these ongoing compliance efforts. If we or our independent registered public accounting firm identifies future deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, as was the case for the year-end audit of 2008, the market price of our stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which would require additional financial and management resources.

If we do not maintain proper and effective disclosure controls and procedures and internal controls over financial reporting, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors’ views of us.

Ensuring that we have adequate disclosure controls and procedures, including internal financial and accounting controls and procedures, in place to help ensure that we can produce accurate financial statements on a timely basis is

a costly and time-consuming effort that needs to be re-evaluated frequently. On an ongoing basis, both we and our independent auditors will be documenting and testing our internal controls and procedures in connection with the requirements of Section 404 of the Sarbanes-Oxley Act and, as part of that documentation and testing, identifying areas for further attention and improvement. Implementing any appropriate changes to our internal controls may entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and distract our officers, directors and employees from the operation of our business. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements may seriously affect our stock price. Due to the internal financial and accounting controls and procedures deficiencies detailed elsewhere herein, we have also concluded that our disclosure controls and procedures are inadequate. Also, as detailed elsewhere herein, we have undertaken remediation efforts to address the deficiencies in our internal financial and accounting controls and procedures and expect that as a result of implementing those remedial steps that are disclosure controls will be adequate.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to expand our sales and marketing and service development efforts or to make acquisitions. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to fund the expansion of our sales and marketing and research and development efforts or take advantage of acquisition or other opportunities, which could seriously harm our business and operating results. If we incur debt, the debt holders would have rights senior to common stockholders to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

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The impairment of a significant amount of goodwill and intangible assets on our balance sheet could result in a decrease in earnings and, as a result, our stock price could decline.

In the course of our operating history, we have acquired assets and businesses. Some of our acquisitions have resulted in the recording of a significant amount of goodwill and/or intangible assets on our financial statements. We had approximately \$106 million of goodwill and net intangible assets as of December 31, 2008. The goodwill and/or intangible assets were recorded because the fair value of the net tangible assets acquired was less than the purchase price. We may not realize the full value of the goodwill and/or intangible assets. As such, we evaluate goodwill and other intangible assets with indefinite useful lives for impairment on an annual basis or more frequently if events or circumstances suggest that the asset may be impaired. We evaluate other intangible assets subject to amortization whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. If goodwill or other intangible assets are determined to be impaired, we will write off the unrecoverable portion as a charge to our earnings. If we acquire new assets and businesses in the future, as we intend to do, we may record additional goodwill and/or intangible assets. The possible write-off of the goodwill and/or intangible assets could negatively impact our future earnings and, as a result, the market price of our common stock could decline.

We will record substantial expenses related to our issuance of stock-based compensation which may have a material negative impact on our operating results for the foreseeable future.

Effective January 1, 2006, we adopted the Statement of Financial Accounting Standards, or SFAS, No. 123(R), Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure for stock-based employee compensation. Our stock-based compensation expenses are expected to be significant in future periods, which will have an adverse impact on our operating income and net income. SFAS No. 123(R) requires the use of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Changes in the subjective input assumptions can materially affect the amount of our stock-based compensation expense. In addition, an increase in the competitiveness of the market for qualified employees could result in an increased use of stock-based compensation awards, which in turn would result in increased stock-based compensation expense in future periods.

The trading value of our common stock may be volatile and decline substantially; Current Nasdaq non-Compliance.

The trading price of our common stock is likely to be volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this prospectus, these factors include:

- our operating performance and the operating performance of similar companies;
- the overall performance of the equity markets;
- announcements by us or our competitors of acquisitions, business plans or commercial relationships;
- threatened or actual litigation;
- changes in laws or regulations relating to the provision of Internet content;
- any major change in our board of directors or management;
- publication of research reports about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- our sale of common stock or other securities in the future;
- large volumes of sales of our shares of common stock by existing stockholders; and
- general political and economic conditions.

In addition, the stock market in general, and historically the market for Internet-related companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating

performance of those companies. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition.

We are also currently not in compliance with the filing requirements under Nasdaq Marketplace Rule 4310(c)(14) due to our failure to timely file periodic reports with the Securities and Exchange Commission. Based on our correspondence with Nasdaq, we understand that we will not be delisted from the Nasdaq Global Market as long as we regain compliance with these filing requirements on or prior to September 28, 2009. If we are unable to regain compliance with these filing requirements, or if Nasdaq otherwise determines to delist us from the Nasdaq Global Market, then trading in our common stock could become more volatile and the volume of trading could decline substantially.

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Provisions of our certificate of incorporation, bylaws and Delaware law could deter takeover attempts.

Various provisions in our certificate of incorporation and bylaws could delay, prevent or make more difficult a merger, tender offer, proxy contest or change of control. Our stockholders might view any transaction of this type as being in their best interest since the transaction could result in a higher stock price than the then-current market price for our common stock. Among other things, our certificate of incorporation and bylaws:

- authorize our board of directors to issue preferred stock with the terms of each series to be fixed by our board of directors, which could be used to institute a “poison pill” that would work to dilute the share ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board;
- divide our board of directors into three classes so that only approximately one-third of the total number of directors is elected each year;
  - permit directors to be removed only for cause;
  - prohibit action by less than unanimous written consent of our stockholders; and
- specify advance notice requirements for stockholder proposals and director nominations. In addition, with some exceptions, the Delaware General Corporation Law restricts or delays mergers and other business combinations between us and any stockholder that acquires 15% or more of our voting stock.

Future sales of shares of our common stock by existing stockholders could depress the market price of our common stock.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. A large portion of our outstanding shares of common stock are held by our officers, directors and affiliates. Two of our affiliates are venture capital funds, which are typically structured to have a finite life. As these venture capital funds approach or pass the life of the fund, their decision to sell or hold our stock may be based not only on the underlying investment merits of our stock, but also on the requirements of their internal fund structure. Our directors, executive officers and affiliates beneficially own approximately 29 million shares of our common stock, which represents 69% of our shares outstanding as of June 30, 2009. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline substantially.

A limited number of stockholders will have the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Our directors, executive officers and affiliates beneficially own approximately 69% of our outstanding common stock. These stockholders, if they act together, could exert substantial influence over matters requiring approval by our stockholders, including the election of directors, the amendment of our certificate of incorporation and bylaws and the approval of mergers or other business combination transactions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our stockholders of an opportunity to receive a premium for their stock as part of a sale of our company and might reduce our stock price. These actions may be taken even if they are opposed by other stockholders.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

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Our corporate headquarters are located in Needham, Massachusetts, where we currently lease 93,069 square feet of office space 75,326 square feet of which expires in December 2009 and 17,743 square feet expires in March 2010. We also lease 12,995 square feet of office space in San Francisco, California which expires January 2013, 7,861 square feet of office space in Westborough, Massachusetts which expires in December 2009, and 25,762 square feet of office space in Alpharetta, Georgia which expires in November, 2010. We do not own any real property. We believe that our leased facilities are, in general, in good operating condition and adequate for our current operations and that additional leased space can be obtained if needed.

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Item 3. Legal Proceedings

We are not currently a party to any material litigation and we are not aware of any pending or threatened litigation against us that could have a material adverse effect on our business, operating results or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2008 through the solicitation of proxies or otherwise.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the Nasdaq Global Market under the trading symbol "TTGT". The following table sets forth the high and low sales prices of our common stock, as reported by the Nasdaq Global Market, for each quarterly period since our initial public offering:

|  | High     | Low      |
|--|----------|----------|
| Fiscal 2008                                      |          |          |
| Quarter ended March 31, 2008                     | \$ 15.23 | \$ 10.49 |
| Quarter ended June 30, 2008                      | \$ 15.11 | \$ 10.56 |
| Quarter ended September 30, 2008                 | \$ 10.45 | \$ 6.00  |
| Quarter ended December 31, 2008                  | \$ 6.67  | \$ 2.31  |
| Fiscal 2007                                      |          |          |
| Quarter ended June 30, 2007 (since May 16, 2007) | \$ 16.20 | \$ 12.50 |
| Quarter ended September 30, 2007                 | \$ 18.69 | \$ 11.00 |
| Quarter ended December 31, 2007                  | \$ 17.81 | \$ 11.69 |

The closing sale price of our common stock, as reported by the Nasdaq Global Market, was \$4.00 on June 30, 2009.

## Holders

As of June 30, 2009 there were approximately 158 stockholders of record of our common stock based on the records of our transfer agent.

## Dividends

We did not declare or pay any cash dividends on our common stock during the three most recent fiscal years. We currently intend to retain earnings, if any, to fund the development and growth of our business and do not anticipate paying other cash dividends on our common stock in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, cash needs and growth plans.

## Recent Sales of Unregistered Securities

Since January 1, 2006, we have issued the following securities that were not registered under the Securities Act:

## (a) Issuances of Capital Stock

As of November 2006, there were outstanding options to purchase 17,456 shares of our common stock at an exercise price of \$2.36 per share, the issuance of which may not have been exempt from registration or certain qualification requirements under federal or state securities laws. To address this issue, we made a rescission offer that was completed in December 2006 to all holders of these options pursuant to which we offered to repurchase these options for cash or shares of our common stock. In connection with the completion of the rescission offer, we issued 10,726 shares and paid out \$6,561 in cash, which included statutory interest. The sales of securities pursuant to the rescission



offer were made in reliance upon the exemption from registration provided by Section 3(b) of the Securities Act of 1933 for transactions by an issuer not involving a public offering. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

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### (b) Grants and Exercises of Stock Options.

During 2007, prior to our initial public offering, we granted stock options to purchase 75,000 shares of our common stock with an exercise price of \$13.00 per share to a director. During 2007, prior to our initial public offering, pursuant to our 1999 Stock Option Plan, we issued and sold 333,636 shares of our common stock upon the exercise of stock options for aggregate consideration of \$211,938.

During 2006, pursuant to our 1999 Stock Option Plan, we granted stock options to purchase 4,243,500 shares of common stock with a weighted average exercise price of \$7.36 per share to our employees. During 2006, 371,634 options were exercised for aggregate consideration of \$553,659.

The issuance of common stock upon exercise of the options was exempt either pursuant to Rule 701, as a transaction pursuant to a compensatory benefit plan, or pursuant to Section 4(2), as a transaction by an issuer not involving a public offering.

### (c) Exercises of Warrants

During 2008, we issued 6,886 shares of our common stock upon the cashless exercise of warrants. We did not receive any consideration from the cashless exercises apart from the surrender of the underlying warrants.

During 2007, we issued 52,764 shares of our common stock upon the cashless exercise of warrants. We did not receive any consideration from the cashless exercises apart from the surrender of the underlying warrants.

During 2006, we issued and sold 184,233 shares of our common stock upon the exercise of a warrant for aggregate consideration of \$338,988.

The issuances of common stock upon the exercise of the warrants were made in reliance upon the exemption from registration proved by Section 4(2) of the Securities Act for transactions by an issuer not involving a public offering. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

### Use of Proceeds from Public Offering of Common Stock

In May 2007, we completed our initial public offering (IPO) pursuant to a registration statement on Form S-1 (File No. 333-140503) that was declared effective by the SEC on May 16, 2007. Under the registration statement, we registered the offering and sale of an aggregate of 7,700,000 shares of our common stock, \$0.001 par value, of which 6,427,152 shares were sold by the Company and 1,272,848 were sold by certain selling stockholders. All of the shares of common stock issued pursuant to the registration statement, including the shares sold by the selling stockholders, were sold at a price to the public of \$13.00 per share.

As a result of the IPO, we raised a total of \$83.2 million in net proceeds after deducting underwriting discounts and commissions of approximately \$6.4 million and offering expenses of approximately \$2.3 million. In May 2007 we repaid \$12.0 million that we had borrowed against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007. In November 2007 we acquired KnowledgeStorm, Inc. for approximately \$58 million, consisting of approximately \$52 million in cash and 359,820 shares of unregistered common stock of TechTarget valued at \$6.0 million. In November 2008 we acquired The Brian Madden Company LLC for approximately \$1.3 million in cash.

We have applied the remaining net proceeds from the IPO to our working capital for general corporate purposes. We have no current agreements or commitments with respect to any material acquisitions. We have invested the remaining net proceeds in cash, cash equivalents and short-term investments, in accordance with our investment

policy. None of the remaining net proceeds were paid, directly or indirectly, to directors, officers, persons owning ten percent or more of our equity securities, or any of our other affiliates.

#### Equity Compensation Plan Information

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in Item 12 below.

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## Stock Performance Graph

The following graph compares the cumulative total return to stockholders of our common stock for the period from May 16, 2007, the date of our initial public offering, to December 31, 2008, to the cumulative total return of the Russell 2000 Index and the S&P 500 Media Industry Index for the same period. This graph assumes the investment of \$100.00 on May 16, 2007 in our common stock, the Russell 2000 Index and the S&P 500 Media Industry Index and assumes any dividends are reinvested.

## COMPARATIVE STOCK PERFORMANCE

Among TechTarget, Inc.  
The Russell 2000 Index and  
The S&P 500 Media Industry Index

|                                 | May 17,<br>2007 | June 30,<br>2007 | September 30,<br>2007 | December 31,<br>2007 | March 31,<br>2008 | June 30,<br>2008 | September 30,<br>2008 | December 31,<br>2008 |
|---------------------------------|-----------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|----------------------|
| TechTarget Inc                  | \$ 100.00       | \$ 98.85         | \$ 130.00             | \$ 113.69            | \$ 109.00         | \$ 81.23         | \$ 53.85              | \$ 33.23             |
| Russell 2000<br>Index           | \$ 100.00       | \$ 101.82        | \$ 98.67              | \$ 94.15             | \$ 84.83          | \$ 85.33         | \$ 84.38              | \$ 62.34             |
| S&P 500 Media<br>Industry Index | \$ 100.00       | \$ 98.57         | \$ 91.61              | \$ 83.67             | \$ 77.97          | \$ 74.62         | \$ 68.44              | \$ 52.44             |

The information included under the heading “Stock Performance Graph” in Item 5 of this Annual Report on Form 10-K is “furnished” and not “filed” and shall not be deemed to be “soliciting material” or subject to Regulation 14A, shall not be deemed “filed” for purposes of Section 18 of the Securities Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended.

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## Item 6. Selected Consolidated Financial Data

The consolidated balance sheet as of December 31, 2007 and the consolidated statements of operations for the fiscal years ended December 31, 2007 and 2006 have been restated as set forth in this 2008 Form 10-K. The data for the consolidated balance sheets as of December 31, 2006, 2005 and 2004 and the consolidated statements of operations for the fiscal years ended December 31, 2005 and 2004 have been restated to reflect the impact of the revenue and provision for income tax adjustments, but such restated data have not been audited and is derived from the books and records of the Company. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below. The information presented in the following tables has been adjusted to reflect the restatement of the Company's financial results, which is more fully described in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Previously Issued Financial Statements" in the Notes to the Consolidated Financial Statements of this Form 10-K.

|   | 2008      | Years Ended December 31, |             |             | 2004        |
|---|-----------|--------------------------|-------------|-------------|-------------|
|   |           | 2007                     | 2006        | 2005        |             |
|   |           | As restated              | As restated | As restated | As restated |
| (in thousands, except share and per share data)   |           |                          |             |             |             |
| <b>Consolidated Statement of Operations Data:</b> |           |                          |             |             |             |
| <b>Revenues:</b>                                  |           |                          |             |             |             |
| Online  | \$ 77,373 | \$ 61,353                | \$ 51,372   | \$ 43,715   | \$ 29,723   |
| Events  | 22,786    | 24,254                   | 19,708      | 14,595      | 9,647       |
| Print   | 4,385     | 6,643                    | 8,119       | 8,501       | 5,915       |
| Total revenues                                    | 104,544   | 92,250                   | 79,199      | 66,811      | 45,285      |
| <b>Cost of revenues:</b>                          |           |                          |             |             |             |
| Online (1)  | 21,404    | 15,575                   | 12,988      | 10,476      | 7,632       |
| Events (1)  | 9,531     | 8,611                    | 6,493       | 6,202       | 5,948       |
| Print (1)   | 2,156     | 3,788                    | 5,339       | 5,322       | 3,073       |
| Total cost of revenues                            | 33,091    | 27,974                   | 24,820      | 22,000      | 16,653      |
| Gross profit                                      | 71,453    | 64,276                   | 54,379      | 44,811      | 28,632      |
| <b>Operating expenses:</b>                        |           |                          |             |             |             |
| Selling and marketing (1)                         | 33,481    | 28,048                   | 20,305      | 18,174      | 15,138      |
| Product development (1)                           | 10,995    | 7,320                    | 6,295       | 5,756       | 4,111       |
| General and administrative (1)                    | 14,663    | 12,592                   | 8,756       | 7,617       | 11,756      |
| Depreciation                                      | 2,406     | 1,610                    | 1,144       | 1,792       | 1,168       |
| Amortization of intangible assets                 | 5,306     | 4,740                    | 5,029       | 5,172       | 1,304       |
| Restructuring charge                              | 1,494     | -                        | -           | -           | -           |
| Total operating expenses                          | 68,345    | 54,310                   | 41,529      | 38,511      | 33,477      |
| Operating income (loss)                           | 3,108     | 9,966                    | 12,850      | 6,300       | (4,845)     |
| Interest income (expense), net                    | 1,440     | 1,831                    | 321         | (30)        | 143         |
|   | 4,548     | 11,797                   | 13,171      | 6,270       | (4,702)     |

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|  |            |            |           |           |            |  |
|--|------------|------------|-----------|-----------|------------|--|
| Income (loss) before provision for (benefit from) income taxes |            |            |           |           |            |  |
| Provision for (benefit from) income taxes                      | 2,784      | 5,252      | 5,658     | (4,036)   | 32         |  |
| Net income (loss)  | \$ 1,764   | \$ 6,545   | \$ 7,513  | \$ 10,306 | \$ (4,734) |  |
| Net income (loss) per common share (2):                        |            |            |           |           |            |  |
| Basic  | \$ 0.04    | \$ 0.09    | \$ (0.42) | \$ (0.04) | \$ (1.53)  |  |
| Diluted  | \$ 0.04    | \$ 0.08    | \$ (0.42) | \$ (0.04) | \$ (1.53)  |  |
| Weighted average common shares outstanding:                    |            |            |           |           |            |  |
| Basic  | 41,424,920 | 28,384,303 | 7,824,374 | 7,370,680 | 7,594,470  |  |
| Diluted  | 43,439,619 | 31,346,738 | 7,824,374 | 7,370,680 | 7,594,470  |  |
| Other Data:  |            |            |           |           |            |  |
| Adjusted EBITDA (unaudited) (3)                                | \$ 20,985  | \$ 22,150  | \$ 20,273 | \$ 13,342 | \$ 3,910   |  |

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|  | As of December 31, |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | 2008               | 2007<br>(restated) | 2006<br>(restated) | 2005<br>(restated) | 2004<br>(restated) |
| (in thousands)                               |                    |                    |                    |                    |                    |
| Consolidated Balance Sheet Data:             |                    |                    |                    |                    |                    |
| Cash, cash equivalents and investments       | \$69,568           | \$62,001           | \$30,830           | \$46,879           | \$7,214            |
| Total assets                                 | 210,012            | 202,488            | 94,156             | 96,516             | 92,920             |
| Total liabilities                            | 19,075             | 25,155             | 24,309             | 36,269             | 43,295             |
| Total redeemable convertible preferred stock | -                  | -                  | 136,766            | 126,004            | 115,383            |
| Total stockholders' equity (deficit)         | 190,937            | 177,334            | (66,919 )          | (65,756 )          | (65,758 )          |

|                | Years Ended December 31, |      |      |      |      |
|----------------|--------------------------|------|------|------|------|
|                | 2008                     | 2007 | 2006 | 2005 | 2004 |
| (in thousands) |                          |      |      |      |      |

(1) Amounts include stock-based compensation expense as follows:

|                            |         |         |         |      |             |
|----------------------------|---------|---------|---------|------|-------------|
| Cost of online revenue     | \$407   | \$189   | \$87    | \$-  | \$78        |
| Cost of events revenue     | 91      | 53      | 31      | -    | 236         |
| Cost of print revenue      | 6       | 15      | 12      | -    | -           |
| Selling and marketing      | 4,813   | 2,999   | 606     | -    | 1,025       |
| Product development        | 473     | 334     | 90      | -    | 7           |
| General and administrative | 2,881   | 2,244   | 424     | 78   | 4,937       |
| Total                      | \$8,671 | \$5,834 | \$1,250 | \$78 | \$6,283 (a) |

(a) In May 2004, we offered to repurchase for cash (i) up to 100% of the issued and outstanding shares of our series A preferred stock; and (ii) up to 45% of the aggregate issued and outstanding shares of common stock and/or options to purchase the same (provided the option holder had either completed four years of service with us as of May 1, 2004, or had held the option for at least four years as of May 1, 2004), effected to provide certain stockholders and option holders with liquidity. We recorded stock-based compensation expense of \$6,012,382 related to the purchase of 1,429,157 options.

(2) Basic and diluted net income (loss) per common share is computed by dividing the net income (loss) applicable to common stockholders by the basic and diluted weighted-average number of common shares outstanding for the fiscal period. See "Note 3 of our Notes to Consolidated Financial Statements."

(3) The following table reconciles net income (loss) to Adjusted EBITDA for the periods presented and is unaudited:

|   | Years Ended December 31, |                    |                    |                    |                    |
|---|--------------------------|--------------------|--------------------|--------------------|--------------------|
|   | 2008                     | 2007<br>(restated) | 2006<br>(restated) | 2005<br>(restated) | 2004<br>(restated) |
| (in thousands)                            |                          |                    |                    |                    |                    |
| Net income (loss)                         | \$1,764                  | \$6,545            | \$7,513            | \$10,306           | \$(4,734 )         |
| Interest income (expense), net            | 1,440                    | 1,831              | 321                | (30 )              | 143                |
| Provision for (benefit from) income taxes | 2,784                    | 5,252              | 5,658              | (4,036 )           | 32                 |
| Depreciation                              | 2,406                    | 1,610              | 1,144              | 1,792              | 1,168              |
| Amortization of intangible assets         | 5,306                    | 4,740              | 5,029              | 5,172              | 1,304              |
| EBITDA                                    | 10,820                   | 16,316             | 19,023             | 13,264             | (2,373 )           |
| Stock-based compensation                  | 8,671                    | 5,834              | 1,250              | 78                 | 6,283 (a)          |

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|                      |          |          |          |          |         |
|----------------------|----------|----------|----------|----------|---------|
| Restructuring charge | 1,494    | -        | -        | -        | -       |
| Adjusted EBITDA      | \$20,985 | \$22,150 | \$20,273 | \$13,342 | \$3,910 |

(a) In May 2004, we offered to repurchase for cash (i) up to 100% of the issued and outstanding shares of our series A preferred stock; and (ii) up to 45% of the aggregate issued and outstanding shares of common stock and/or options to purchase the same (provided the option holder had either completed four years of service with us as of May 1, 2004, or had held the option for at least four years as of May 1, 2004), effected to provide certain stockholders and option holders with liquidity. We recorded stock-based compensation expense of \$6,012,382 related to the purchase of 1,429,157 options.

Adjusted EBITDA is a metric used by management to measure operating performance. EBITDA represents net income (loss) before interest income (expense) net, provision for (benefit from) income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA as further adjusted to exclude stock-based compensation and restructuring charges. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and book depreciation of fixed assets (affecting relative depreciation expense), and the impact of non-cash stock-based compensation expense costs. Because Adjusted EBITDA facilitates internal comparisons of operating performance on a more consistent basis, we also use Adjusted EBITDA in measuring our performance relative to that of our competitors. We also use Adjusted EBITDA in connection with our compensation of our executive officers and senior management. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our profitability or liquidity. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

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- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this Annual Report on Form 10-K. In this discussion and analysis, dollar, share and per share amounts are not rounded to thousands unless otherwise indicated. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K particularly under the heading "Risk Factors."

The following information has been adjusted to reflect the restatement of our financial results, which is more fully described in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Previously Issued Financial Statements" in Notes to the Consolidated Financial Statements of this Form 10-K.

#### Overview

#### Background

We are a leading provider of specialized online content that brings together buyers and sellers of corporate IT products. We sell customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases.

Our integrated content platform consists of a network of websites that we complement with targeted in-person events. Prior to December 2008, we also published a limited number of highly targeted print magazines in which IT vendors could reach IT professionals. As of December 2008, we discontinued publishing all print magazines and do not anticipate publishing any print magazines in the future. Throughout the critical stages of the purchase decision process, our content offerings meet IT professionals' needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high ROI. As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. Our content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of our users' respective job responsibilities and the marketing focus of the products that our customers are advertising, we currently categorize our content offerings across ten distinct media groups: Application Development; Channel; CIO/IT Strategy; Data Center and Virtualization; Enterprise Applications; Networking; Security; Storage; TechnologyGuide.com; and Vertical Software.

During December 2008, in response to the then-current and anticipated future economic uncertainties, we implemented an expense reduction program that included a reduction in workforce, a reduction in a certain office lease, the elimination of our two print publications, and a continuation of strict controls on discretionary spending. During the twenty-four month period immediately preceding the announced workforce reduction, we had hired approximately 150 employees to support existing and anticipated growth. The reduction in workforce resulted in a decrease of our employees by approximately 76 full-time positions, representing approximately 12% of our total workforce. As a result of the expense reduction program, we incurred a pre-tax charge of \$1,494,000 in the fourth quarter of 2008.

#### Sources of Revenues

We sell advertising programs to IT vendors targeting a specific audience within a particular IT sector or sub-sector. We maintain multiple points of contact with our customers to provide support throughout their organizations and the

sales cycle. As a result, our customers often run multiple advertising programs with us in order to reach discrete portions of our targeted audience. There are multiple factors that can impact our customers' advertising objectives and spending with us, including but not limited to, product launches, increases or decreases to their advertising budgets, the timing of key industry marketing events, responses to competitor activities and efforts to address specific marketing objectives such as creating brand awareness or generating sales leads. Our services are generally delivered under short-term contracts that run for the length of a given advertising program, typically less than 6 months in length.

We generate substantially all of our revenues from the sale of targeted advertising campaigns that we deliver via our network of websites, events and print publications.

Online. The majority of our revenue is derived from the delivery of our online offerings from our media groups. Online revenue represented 74%, 67%, and 65% of total revenues for the years ended December 31, 2008, 2007 and 2006, respectively. We expect the majority of our revenues to be derived through the delivery of online offerings for the foreseeable future. As a result of our customers' advertising objectives and preferences, the specific allocation of online advertising offerings sold and delivered by us, on a period by period basis, can fluctuate.

Through our websites we sell a variety of online media offerings to connect IT vendors to IT professionals. Our lead generation offerings allow IT vendors to capture qualified sales leads from the distribution and promotion of content to our audience of IT professionals. Our branding offerings provide IT vendors exposure to targeted audiences of IT professionals actively researching information related to their products and services.

Our branding offerings include banners and e-newsletters. Banner advertising can be purchased on specific websites within our network. We also offer the ability to advertise in e-newsletters focused on key site sub-topics across our portfolio of websites. These offerings give IT vendors the ability to increase their brand awareness to highly specialized IT sectors.

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Our lead generation offerings include the following:

- **White Papers.** White papers are technical documents created by IT vendors to describe business or technical problems that are addressed by the vendors' products or services. IT vendors pay us to have their white papers distributed to our users and receive targeted promotions on our relevant websites. Prior to viewing white papers, our registered members and visitors supply their corporate contact and qualification information and agree to receive further information from the vendor. The corporate contact and other qualification information for these leads are supplied to the vendor in real time through our proprietary lead management software.
- **Webcasts, Podcasts and Videocasts.** IT vendors pay us to sponsor and host webcasts, podcasts and videocasts that bring informational sessions directly to attendees' desktops and, in the case of podcasts, directly to their mobile devices. As is the case with white papers, our users supply their corporate contact and qualification information to the webcast, podcast or videocast sponsor when they view or download the content. Sponsorship includes access to the registrant information and visibility before, during and after the event.
- **Software Package Comparisons.** Through our 2020software.com website, IT vendors pay us to post information and specifications about their software packages, typically organized by application category. Users can request further information, which may include downloadable trial software from multiple software providers in sectors such as customer relationship management, or CRM, accounting, and business analytics. IT vendors, in turn, receive qualified leads based upon the users who request their information.
- **Promotional E-mails.** IT vendors pay us to further target the promotion of their white papers, webcasts, videocasts, podcasts or downloadable trial software by including their content in our periodic e-mail updates to registered users of our websites. Users who have voluntarily registered on our websites receive an e-mail update from us when vendor content directly related to their interests is listed on our sites.
- **List Rentals.** We also offer IT vendors the ability to message relevant registered members on topics related to their interests. IT vendors can rent our e-mail and postal lists of registered members using specific criteria such as company size, geography or job title.
- **Contextual Advertising.** Our contextual advertising programs associate IT vendor white papers, webcasts, podcasts or other content on a particular topic with our related sector-specific content. IT vendors have the option to purchase exclusive sponsorship of content related to their product or category.
- **Third Party Revenue Sharing Arrangements.** We have arrangements with certain third parties, including for the licensing of our online content, for the renting of our database of opted-in email subscribers and for which advertising from customers of certain third parties is made available to our website visitors. In each of these arrangements we are paid a share of the resulting revenue.

Events. Events revenue represented 22%, 26%, and 25% of total revenues for the years ended December 31, 2008, 2007 and 2006, respectively. Most of our media groups operate revenue generating events. The majority of our events are free to IT professionals and are sponsored by IT vendors. Attendees are pre-screened based on event-specific criteria such as sector-specific budget size, company size, or job title. We offer three types of events: multi-day conferences, single-day seminars and custom events. Multi-day conferences provide independent expert content for our attendees and allow vendors to purchase exhibit space and other sponsorship offerings that enable interaction with the attendees. We also hold single-day seminars on various topics in major cities. These seminars provide independent content on key sub-topics in the sectors we serve, are free to qualified attendees, and offer multiple vendors the ability to interact with specific, targeted audiences actively focused on buying decisions. Our custom events differ from our conferences and seminars in that they are exclusively sponsored by a single IT vendor, and the content is driven

primarily by the sole sponsor.

Print. Print revenue represented 4%, 7%, and 10% of total revenues for the years ended December 31, 2008, 2007 and 2006, respectively. During certain portions of those three fiscal years we published monthly three controlled-circulation magazines that were free to subscribers and generated revenue solely based on advertising fees. We began publishing Storage magazine in 2002, Information Security magazine in 2003; and CIO Decisions magazine in 2005. We discontinued publishing CIO Decisions magazine in November 2007 and both Storage and Information Security magazines in December 2008.

#### Cost of Revenues, Operating Expenses and Other

Expenses consist of cost of revenues, selling and marketing, product development, general and administrative, depreciation, and amortization expenses. Personnel-related costs are a significant component of most of these expense categories. We grew from 411 employees at December 31, 2005 to 527 employees at December 31, 2008.

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**Cost of Online Revenue.** Cost of online revenue consists primarily of: salaries and related personnel costs; member acquisition expenses (primarily keyword purchases from leading Internet search sites); freelance writer expenses; website hosting costs; vendor expenses associated with the delivery of webcast, podcast, videocast and list rental offerings; and stock-based compensation expense.

**Cost of Events Revenue.** Cost of events revenue consists primarily of: facility expenses, including food and beverages for the event attendees; salaries and related personnel costs; event speaker expenses; and stock-based compensation expense.

**Cost of Print Revenue.** Cost of print revenue consists primarily of: printing and graphics expenses; mailing costs; salaries and related personnel costs; freelance writer expenses; subscriber acquisition expenses (primarily telemarketing); and stock-based compensation expense.

**Selling and Marketing.** Selling and marketing expense consists primarily of: salaries and related personnel costs; sales commissions; travel, lodging and other out-of-pocket expenses; and stock-based compensation expense. Sales commissions are recorded as expense when earned by the employee.

**Product Development.** Product development includes the creation and maintenance of our network of websites, advertiser offerings and technical infrastructure. Product development expense consists primarily of salaries and related personnel and vendor costs; and stock-based compensation expense.

**General and Administrative.** General and administrative expense consists primarily of: salaries and related personnel costs; facilities expenses; accounting, legal and other professional fees; and stock-based compensation expense. General and administrative expense may continue to increase as a percentage of total revenue for the foreseeable future as we invest in infrastructure to support continued growth and incur additional expenses related to being a publicly traded company, including increased audit and legal fees, costs of compliance with securities and other regulations, investor relations expense, and higher insurance premiums.

**Depreciation.** Depreciation expense consists of the depreciation of our property and equipment. Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives ranging from three to five years.

**Amortization of Intangible Assets.** Amortization of intangible assets expense consists of the amortization of intangible assets recorded in connection with our acquisitions. Separable intangible assets that are not deemed to have an indefinite life are amortized over their useful lives using the straight-line method over periods ranging from one to nine years.

**Interest Income (Expense), Net.** Interest income (expense) net consists primarily of interest income earned on cash and cash equivalent balances less interest expense incurred on bank term loan balances. We historically have invested our cash in money market accounts, commercial paper corporate debt securities, municipal bonds and auction rate securities.

## Application of Critical Accounting Policies and Use of Estimates

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, long-lived assets, the allowance

for doubtful accounts, stock-based compensation, and income taxes. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements. See the notes to our financial statements for information about these critical accounting policies as well as a description of our other accounting policies.

#### Revenue Recognition

We generate substantially all of our revenue from the sale of targeted advertising campaigns that we deliver via our network of websites, events and print publications. We recognize this revenue in accordance with Staff Accounting Bulletin, or SAB, No. 104, Revenue Recognition, and Financial Accounting Standards Board's, or FASB, Emerging Issues Task Force, or EITF, Issue No. 00-21, Revenue Arrangement With Multiple Deliverables. In all cases, we recognize revenue only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectibility of the resulting receivable is reasonably assured.

Although each of our online media offerings can be sold separately, most of our online media sales involve multiple online offerings. Because objective evidence of fair value does not exist for all elements in our bundled advertising campaigns, no allocation can be made, and we recognize revenue on all services over the term of the arrangement.

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Events. We sell our events separately from our other service offerings, and recognize event revenue in the period the event occurs. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Print. We recognize print advertising revenue at the time the applicable magazine is distributed when sold separately. When print advertising campaigns are sold with online media offerings, we recognize revenue for all services in the advertising campaign over the term of the arrangement. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Online. We recognize revenue from our specific online media offerings as follows when these items are sold separately:

- White Papers. We recognize white paper revenue ratably over the period in which the white paper is available on our websites.
- Webcasts, Podcasts and Videocasts. We recognize webcast, podcast and videocast revenue ratably over the period in which the webcast, podcast or videocast is available on our websites.
- Software Package Comparisons. We recognize software package comparison revenue ratably over the period in which the software information is available on our websites.
- Promotional E-mails and E-newsletters. We recognize promotional e-mail revenue ratably over the period in which the related content asset is available on our websites because promotional emails do not have standalone value from the related content asset. We recognize e-newsletter revenue in the period in which the e-newsletter is sent.
- List Rentals. We recognize list rental revenue in the period in which the e-mail is sent to the list of registered members.
  - Banners. We recognize banner revenue in the period in which the banner impressions occur.
- Third Party Revenue Sharing Arrangements. Revenue from third party revenue sharing arrangements is recognized in the period in which the services are performed.

We offer customers the ability to purchase integrated ROI program offerings, which can include any of our online media offerings packaged together to address the particular customer's specific advertising requirements. As part of these offerings, we will guarantee a minimum number of qualified sales leads to be delivered over the course of the advertising campaign. We sometimes extend the scheduled end date of advertising campaigns to satisfy lead guarantees or to fulfill all elements of the campaign based on delayed receipt of advertising media collateral from the customer. We estimate the revenue reserve necessary to properly defer revenue recognition for extended advertising campaigns. These estimates are based on the Company's experience in managing and fulfilling these integrated ROI program offerings. Typically, shortfalls in fulfilling lead guarantees before the scheduled completion date of an advertising campaign are satisfied within an average of 40 days of such scheduled completion date. These integrated ROI program offerings represented approximately 41%, 33% and 28% of our online revenues, and 31%, 22% and 18% of our total revenues for the years ended December 31, 2008, 2007 and 2006, respectively.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

## Long-Lived Assets



Our long-lived assets consist of property and equipment, goodwill and other intangible assets. Goodwill and other intangible assets have arisen principally from our acquisitions. The amount assigned to intangible assets is subjective and based on our estimates of the future benefit of the intangible assets using accepted valuation techniques, such as discounted cash flow and replacement cost models. Our long-lived assets, other than goodwill, are amortized over their estimated useful lives, which we determined based on the consideration of several factors including the period of time the asset is expected to remain in service. Intangible assets are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use. We evaluate the carrying value and remaining useful lives of long-lived assets, other than goodwill, whenever indicators of impairment are present. We evaluate the carrying value of goodwill annually, and whenever indicators of impairment are present. Because we have one reporting segment under SFAS No. 142, Goodwill and Other Intangible Assets, we utilize the entity-wide approach to assess goodwill for impairment and compare our fair value to our book value to determine if an impairment exists.

#### Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short and long-term investments, accounts receivable, accounts payable, a term loan payable and an interest rate swap. The carrying value of these instruments approximates their fair values.

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## Allowance for Doubtful Accounts

We offset gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts on a regular basis, and all past due balances are reviewed individually for collectibility. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowance for doubtful accounts are recorded in general and administrative expense. If our historical collection experience does not reflect our future ability to collect outstanding accounts receivables, our future provision for doubtful accounts could be materially affected. To date, we have not incurred any write-offs of accounts receivable significantly different than the amounts reserved. The allowance for doubtful accounts was \$642,000 and \$424,000 at December 31, 2008 and December 31, 2007, respectively.

## Stock-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. SFAS No. 123(R) requires nonpublic companies that used the minimum value method under SFAS No. 123 for either recognition or pro forma disclosures to apply SFAS No. 123(R) using the prospective-transition method. As such, we will continue to apply APB Opinion No. 25 in future periods to equity awards outstanding at the date of adoption of SFAS No. 123(R) that were measured using the minimum value method. In accordance with SFAS No. 123(R), we will recognize the compensation cost of employee stock-based awards in the statement of operations using the straight line method over the vesting period of the award. Effective with the adoption of SFAS No. 123(R), we have elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. We calculated the fair values of the options granted using the following assumptions:

|  | Years Ended December 31, |                |                |
|--|--------------------------|----------------|----------------|
|  | 2008                     | 2007           | 2006           |
| Expected volatility                              | 41% - 71 %               | 47% - 50 %     | 57% - 63 %     |
| Expected term (in years)                         | 6.25 years               | 6.25 years     | 6.25 years     |
| Risk-free interest rate                          | 1.71% - 3.15 %           | 3.62% - 5.04 % | 4.68% - 5.05 % |
| Expected dividend yield                          | - %                      | - %            | - %            |
| Weighted-average grant date fair value per share | \$3.28                   | \$7.35         | \$4.48         |

As there was no public market for our common stock prior to our initial public offering in May 2007, and there has been limited historical information on the volatility of our common stock since the date of our initial public offering, we determined the volatility for options granted in 2008, 2007 and 2006 based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted has been determined using an average of the historical volatility measures of this peer group of companies for a period equal to the expected life of the option. The expected life of options has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment. The risk-free interest rate is based on a zero coupon United States treasury instrument whose term is consistent with the expected life of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123(R) requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an annual forfeiture rate based on our historical forfeiture experience of 2.00%, 1.00% and 2.10% in determining the expense recorded in 2008, 2007 and 2006, respectively.

#### Internal Use Software and Website Development Costs

We account for internal-use software and website development costs in accordance with the guidance set forth in Statement of Position, or SOP, 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use, and EITF Issue No. 00-2, Accounting for Website Development Costs. We capitalize costs of materials, consultants and compensation and related expenses of employees who devote time to the development of internal-use software and website applications and infrastructure involving developing software to operate our websites. However, we expense as incurred website development costs for new features and functionalities since it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our websites. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our websites, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted. We review capitalized internal use software and website development costs for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We would recognize an impairment loss only if the carrying amount of the asset is not recoverable and exceeds its fair value. We capitalized internal-use software and website development costs of \$533,000, \$950,000 and \$659,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

#### Income Taxes

We are subject to income taxes in both the United States and foreign jurisdictions, and we use estimates in determining our provision for income taxes. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which is the asset and liability method for accounting and reporting for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates.

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Our deferred tax assets are comprised primarily of net operating loss, or NOL, carryforwards. As of December 31, 2008, we had U.S. federal and state net operating loss (NOL) carryforwards of approximately \$11.1 million and \$17.0 million, respectively, which may be used to offset future taxable income. The NOL carryforwards expire through 2027, and are subject to review and possible adjustment by the Internal Revenue Service. The Internal Revenue Code contains provisions that limit the NOL and tax credit carryforwards available to be used in any given year in the event of certain changes in the ownership interests of significant stockholders. The federal NOL carry forwards of \$11.1 million available at December 31, 2008 were acquired from KnowledgeStorm and are subject to limitations on their use in future years.

Net Income (Loss) Per Share

As of May 16, 2007, the effective date of our IPO, we transitioned from having two classes of equity securities outstanding, common and preferred stock, to a single class of equity securities outstanding, common stock, upon automatic conversion of shares of redeemable convertible preferred stock into shares of common stock. For the period prior to May 16, 2007, we calculated net income (loss) per share in accordance with SFAS No. 128, as clarified by EITF Issue No. 03-6. EITF Issue No. 03-6 clarifies the use of the “two-class” method of calculating earnings per share as originally prescribed in SFAS No. 128. Under the two-class method, basic net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income (loss) per share is computed using the more dilutive of (a) the two-class method, or (b) the if-converted method. We allocate net income first to preferred stockholders based on dividend rights under our charter and then to preferred and common stockholders based on ownership interests. Net losses are not allocated to preferred stockholders.

For the period subsequent to May 16, 2007, we have followed SFAS No. 128, Earnings Per Share, which requires that basic EPS be calculated by dividing earnings available to common shareholders for the period by the weighted average number of common shares outstanding. Diluted EPS is computed using the weighted-average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted EPS, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, under SFAS No. 123(R), the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options that are in-the-money. This results in the “assumed” buyback of additional shares, thereby reducing the dilutive impact of stock options.

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## Results of Operations

The following table sets forth our results of operations for the periods indicated:

|  | Years Ended December 31, |                |           |             |           |     |
|--|--------------------------|----------------|-----------|-------------|-----------|-----|
|  | 2008                     | 2007           |           | 2006        |           |     |
|  |                          | As restated    |           | As restated |           |     |
|  |                          | (in thousands) |           |             |           |     |
| Revenues:                                |                          |                |           |             |           |     |
| Online                                   | \$ 77,373                | 74%            | \$ 61,353 | 67%         | \$ 51,372 | 65% |
| Events                                   | 22,786                   | 22             | 24,254    | 26          | 19,708    | 25  |
| Print                                    | 4,385                    | 4              | 6,643     | 7           | 8,119     | 10  |
| Total revenues                           | 104,544                  | 100            | 92,250    | 100         | 79,199    | 100 |
| Cost of revenues:                        |                          |                |           |             |           |     |
| Online                                   | 21,404                   | 21             | 15,575    | 17          | 12,988    | 16  |
| Events                                   | 9,531                    | 9              | 8,611     | 9           | 6,493     | 8   |
| Print                                    | 2,156                    | 2              | 3,788     | 4           | 5,339     | 7   |
| Total cost of revenues                   | 33,091                   | 32             | 27,974    | 30          | 24,820    | 31  |
| Gross profit                             | 71,453                   | 68             | 64,276    | 70          | 54,379    | 69  |
| Operating expenses:                      |                          |                |           |             |           |     |
| Selling and marketing                    | 33,481                   | 32             | 28,048    | 30          | 20,305    | 26  |
| Product development                      | 10,995                   | 11             | 7,320     | 8           | 6,295     | 8   |
| General and administrative               | 14,663                   | 14             | 12,592    | 14          | 8,756     | 11  |
| Depreciation                             | 2,406                    | 2              | 1,610     | 2           | 1,144     | 2   |
| Amortization of intangible assets        | 5,306                    | 5              | 4,740     | 5           | 5,029     | 6   |
| Restructuring charge                     | 1,494                    | 1              | -         | -           | -         | -   |
| Total operating expenses                 | 68,345                   | 65             | 54,310    | 59          | 41,529    | 53  |
| Operating income                         | 3,108                    | 3              | 9,966     | 11          | 12,850    | 16  |
| Interest income, net                     | 1,440                    | 1              | 1,831     | 2           | 321       | *   |
| Income before provision for income taxes | 4,548                    | 4              | 11,797    | 13          | 13,171    | 16  |
| Provision for income taxes               | 2,784                    | 2              | 5,252     | 6           | 5,658     | 7   |
| Net income                               | \$ 1,764                 | 2%             | \$ 6,545  | 7%          | \$ 7,513  | 9%  |

\* Percentage not meaningful.

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## Comparison of Fiscal Years Ended December 31, 2008 and 2007

## Revenues

|                | Years Ended December 31, |                     |                        | Percent<br>Change |
|----------------|--------------------------|---------------------|------------------------|-------------------|
|                | 2008                     | 2007<br>As restated | Increase<br>(Decrease) |                   |
|                | (\$ in thousands)        |                     |                        |                   |
| Revenues:      |                          |                     |                        |                   |
| Online         | \$ 77,373                | \$ 61,353           | \$ 16,020              | 26%               |
| Events         | 22,786                   | 24,254              | (1,468)                | (6)               |
| Print          | 4,385                    | 6,643               | (2,258)                | (34)              |
| Total revenues | \$ 104,544               | \$ 92,250           | \$ 12,294              | 13%               |

Online. The increase in online revenue was primarily attributable to a \$10.9 million increase in revenue from lead generation offerings, due principally to an increase in white paper and webcast sales volumes. White paper sales volume increased in part due to our acquisition of KnowledgeStorm in November 2007. The increase also reflects a \$4.6 million increase in branding revenue, primarily due to increased banner sales volume. Additionally, revenue from third party revenue sharing arrangements increased by approximately \$510,000 in 2008 as compared to 2007.

Events. The decrease in events revenue was primarily attributable to a \$1.7 million decrease in multi-day conference revenue due to fewer multi-day conferences held in 2008 as compared to 2007. The decrease was offset by a \$272,000 increase in seminar series and custom events revenue, due to an increase in the number of seminar series and custom events produced in 2008 as compared to 2007.

Print. The decrease in print revenue was attributable to the continued shift of our customer's advertising budgets away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007 and both Storage and Information Security magazines in December 2008.

## Cost of Revenues and Gross Profit

|                         | Years Ended December 31, |                     |                        | Percent<br>Change |
|-------------------------|--------------------------|---------------------|------------------------|-------------------|
|                         | 2008                     | 2007<br>As restated | Increase<br>(Decrease) |                   |
|                         | (\$ in thousands)        |                     |                        |                   |
| Cost of revenues:       |                          |                     |                        |                   |
| Online                  | \$ 21,404                | \$ 15,575           | \$ 5,829               | 37%               |
| Events                  | 9,531                    | 8,611               | 920                    | 11                |
| Print                   | 2,156                    | 3,788               | (1,632)                | (43)              |
| Total cost of revenues  | \$ 33,091                | \$ 27,974           | \$ 5,117               | 18                |
| Gross profit            | \$ 71,453                | \$ 64,276           | \$ 7,177               | 11%               |
| Gross profit percentage | 68%                      | 70%                 |                        |                   |

Cost of Online Revenue. Approximately \$2.4 million of the increase in cost of online revenue is attributable to employee salaries, benefits and other compensation. This increase is primarily due to an increase in headcount in our

online editorial and operations organizations, as well as increases to employee compensation. In addition, freelancer expenses increased \$422,000 in 2008 as compared to 2007. We increased headcount and freelancer expenditures to support the increase in online sales volume and to provide additional editorial content. The increase in cost of online revenue was also attributable in part to a \$1.5 million increase in member acquisition expenses, primarily related to keyword purchases. The increase in cost of online revenue also reflects \$1.1 million of additional third party production and hosting costs for online services due to the increased sales volume in 2008 as compared to 2007. The increase in cost of online revenue also reflects a \$218,000 increase in stock-based compensation.

Cost of Events Revenue. The increase in cost of events revenue was attributable in part to a \$638,000 increase in salaries, bonuses and benefits related to an increase in headcount in our events organization, as well as increases to employee compensation. The increase in headcount was to support anticipated growth in events revenue which did not occur. The increase also reflects a \$370,000 increase in seminar series and custom event costs due to an increase in the number of seminar series and custom events produced in 2008 as compared to 2007. The increase was partially offset by a \$126,000 decrease in multi-day conference costs due to fewer multi-day conferences held in 2008 as compared to 2007.

Cost of Print Revenue. The decrease in cost of print revenue was attributable to our efforts to reduce production costs for our publications in response to our customers' advertising budgets continuing to shift away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007 and both Storage and Information Security magazines in December 2008.

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**Gross Profit.** Our gross profit is equal to the difference between our revenues and our cost of revenues for the period. The increase in gross profit is primarily attributable to a \$10.2 million increase in online gross profit, offset by a decrease of \$2.4 million in events gross profit and a decrease of \$626,000 in print gross profit. Gross margin for 2008 was 68%, as compared to 70% for 2007. Since the majority of our costs are labor-related and therefore are fixed in nature, we expect our gross profit to fluctuate from period to period depending on the total revenues for the period as well as the relative contribution of online and events revenue to our total revenues.

## Operating Expenses and Other

|                                   | For the Years Ended December 31, |           |                        |                   |
|-----------------------------------|----------------------------------|-----------|------------------------|-------------------|
|                                   | 2008                             | 2007      | Increase<br>(Decrease) | Percent<br>Change |
|                                   | As restated<br>(\$ in thousands) |           |                        |                   |
| Operating expenses:               |                                  |           |                        |                   |
| Selling and marketing             | \$ 33,481                        | \$ 28,048 | \$ 5,433               | 19%               |
| Product development               | 10,995                           | 7,320     | 3,675                  | 50                |
| General and administrative        | 14,663                           | 12,592    | 2,071                  | 16                |
| Depreciation                      | 2,406                            | 1,610     | 796                    | 49                |
| Amortization of intangible assets | 5,306                            | 4,740     | 566                    | 12                |
| Restructuring charge              | 1,494                            | -         | 1,494                  | *                 |
| Total operating expenses          | \$ 68,345                        | \$ 54,310 | \$ 14,035              | 26                |
| Interest income, net              | \$ 1,440                         | \$ 1,831  | \$ (391)               | (21)              |
| Provision for income taxes        | \$ 2,784                         | \$ 5,252  | \$ (2,468)             | (47) %            |

\* Percentage not meaningful.

**Selling and Marketing.** The increase in selling and marketing expense was attributable in part to a \$2.9 million increase in salaries, commissions, bonuses and benefits resulting principally from an increase in headcount in our sales and marketing organizations, as well as increases to employee compensation. The increase in headcount is a result of actual growth in revenues as well as anticipated growth which did not occur. The increase in selling and marketing expense also reflects a \$1.8 million increase in stock-based compensation and a \$543,000 increase in travel related costs.



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**Product Development.** The increase in product development expense was attributable to a \$3.1 million increase in salaries and benefits resulting principally from an increase in headcount in our product development organization, as well as increases to employee compensation. The increase in headcount was primarily a result of additional product development employees acquired in the acquisition of KnowledgeStorm in November 2007. The increase in product development expense also reflects a \$343,000 increase in hardware and software maintenance expenses.

**General and Administrative.** The increase in general and administrative expense was attributable to a \$1.4 million increase in facilities expense due to leasing additional office space in our Needham, MA headquarters beginning in July 2007, as well as office space acquired with KnowledgeStorm in November 2007. The increase in general and administrative expense was also attributable to a \$637,000 increase in stock-based compensation, offset by a decrease of \$1.5 million in other employee compensation. The increase is also due in part to an increase of \$785,000 in expense related to audit, legal, insurance and other expenses attributable primarily to our being a publicly traded company for a full year, as well as an increase of \$365,000 in bad debt expense.

**Depreciation and Amortization of Intangible Assets.** The increase in depreciation expense was primarily attributable to depreciation of assets acquired from KnowledgeStorm in November 2007. The increase in amortization of intangible assets expense was primarily attributable to amortization of intangible assets related to our acquisitions of TechnologyGuide.com in April 2007 and KnowledgeStorm in November 2007.

**Interest Income (Expense), Net.** The decrease in interest income (expense), net reflects a decrease in interest income due to lower average cash and investment balances as well as lower interest rates during 2008 compared to 2007.

**Provision for Income Taxes.** The provision for income taxes as a percentage of income before taxes, or our annual effective tax rate, was 61% in 2008 and 45% in 2007. The increase in our effective tax rate is due primarily to a decrease in pretax income in 2008 and an increase in nondeductible stock-based compensation.

#### Comparison of Fiscal Years Ended December 31, 2007 and 2006

##### Revenues

|                | Years Ended December 31, |                   |                        | Percent<br>Change |
|----------------|--------------------------|-------------------|------------------------|-------------------|
|                | 2007                     | 2006              | Increase<br>(Decrease) |                   |
|                |                          | As restated       |                        |                   |
|                |                          | (\$ in thousands) |                        |                   |
| Revenues:      |                          |                   |                        |                   |
| Online         | \$ 61,353                | \$ 51,372         | \$ 9,981               | 19%               |
| Events         | 24,254                   | 19,708            | 4,546                  | 23                |
| Print          | 6,643                    | 8,119             | (1,476)                | (18)              |
| Total revenues | \$ 92,250                | \$ 79,199         | \$ 13,051              | 16%               |

**Online.** The increase in online revenue was attributable to a \$12.1 million increase in revenue from lead generation offerings due primarily to an increase in webcast and white paper sales volumes as well as revenues from TechnologyGuide.com, which we acquired in April 2007 and KnowledgeStorm, which we acquired in November 2007. The increase is offset by a \$2.4 million decrease in revenue from branding offerings due primarily to decreases in banner and e-newsletter sales volume.

**Events.** The increase in events revenue was primarily attributable to a \$4.2 million increase in seminar series revenue due to an increase in the number of seminar series events produced in 2007 as compared to 2006.

Print. The decrease in print revenue was attributable to the continued shift of advertising budgets towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

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## Cost of Revenues and Gross Profit

|                         | Years Ended December 31, |                     |                               | Percent<br>Change |
|-------------------------|--------------------------|---------------------|-------------------------------|-------------------|
|                         | 2007                     | 2006<br>As restated | Increase<br>(\$ in thousands) |                   |
| Cost of revenues:       |                          |                     |                               |                   |
| Online                  | \$ 15,575                | \$ 12,988           | \$ 2,587                      | 20%               |
| Events                  | 8,611                    | 6,493               | 2,118                         | 33                |
| Print                   | 3,788                    | 5,339               | (1,551)                       | (29)              |
| Total cost of revenues  | \$ 27,974                | \$ 24,820           | \$ 3,154                      | 13                |
| Gross profit            | \$ 64,276                | \$ 54,379           | \$ 9,897                      | 18%               |
| Gross profit percentage | 70%                      | 69%                 |                               |                   |

Cost of Online Revenue. The increase in cost of online revenue was in part attributable to a \$888,000 increase in member acquisition expenses, primarily related to keyword purchases for 2020software.com which we acquired in May 2006. The increase also reflects \$594,000 in additional webcast cost of sales due to increased webcast sales volume in 2007. Approximately \$516,000 of the increase is attributable to salaries and benefits due to an increase in average headcount of 10 employees in our online editorial and operations organizations, as well as an additional \$193,000 related to increased freelancer expenses in 2007. We increased headcount and freelancers expenditures to support the increase in online revenue volume and to provide additional editorial content. Approximately \$420,000 of the increase related to the acquisition of KnowledgeStorm, which we completed in November 2007.

Cost of Events Revenue. The increase in cost of events revenue was primarily attributable to a \$1.2 million increase in seminar and custom event cost of sales due to an increase in the number of seminar series and custom events produced in 2007 as compared to 2006. Approximately \$547,000 of the increase was related to salaries, bonuses, benefits and temporary staffing expenses to support the increase in seminar series and custom event volume. Three additional multi-day conferences were held in 2007 as compared to 2006 resulting in increased conference expenses of approximately \$305,000.

Cost of Print Revenue. The decrease in cost of print revenue was attributable to our efforts in 2007 to reduce production costs for all three magazines in response to our customer's advertising budgets continuing to shift away from print and towards online offerings. Additionally, we discontinued publishing CIO Decisions magazine in November 2007.

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**Gross Profit.** The increase in gross profit reflects a \$7.4 million increase in online gross profit and a \$2.4 million increase in events gross profit. The increase in online gross profit is attributable to an increase in online revenue at a consistent gross profit percentage. The increase in events gross profit is attributable to an increase in custom event and seminar series revenue at a higher gross profit percentage on these events when compared to 2006. We expect our gross profit to fluctuate from period to period depending on our mix of revenues.

## Operating Expenses and Other

|   | For the Years Ended December 31, |           |                        |                   |
|---|----------------------------------|-----------|------------------------|-------------------|
|   | 2007                             | 2006      | Increase<br>(Decrease) | Percent<br>Change |
|   | As restated<br>(\$ in thousands) |           |                        |                   |
| Operating expenses:                       |                                  |           |                        |                   |
| Selling and marketing                     | \$ 28,048                        | \$ 20,305 | \$ 7,743               | 38%               |
| Product development                       | 7,320                            | 6,295     | 1,025                  | 16                |
| General and administrative                | 12,592                           | 8,756     | 3,836                  | 44                |
| Depreciation                              | 1,610                            | 1,144     | 466                    | 41                |
| Amortization of intangible assets         | 4,740                            | 5,029     | (289)                  | (6)               |
| Total operating expenses                  | \$ 54,310                        | \$ 41,529 | \$ 12,781              | 31                |
| Interest income (expense), net            | \$ 1,831                         | \$ 321    | \$ 1,510               | *                 |
| Provision for (benefit from) income taxes | \$ 5,252                         | \$ 5,658  | \$ (406)               | (7) %             |

\* Percent change not meaningful.

**Selling and Marketing.** The increase in selling and marketing expense was primarily attributable to a \$3.9 million increase in salaries, commissions, and benefits related to an increase in average headcount of 45 employees in our sales and marketing organizations, as well as increases to employee compensation. The increase in headcount was to support the growth in revenues. The increase also reflects a \$2.4 million increase in stock-based compensation expense and a \$347,000 increase in travel expense resulting from the growth in sales personnel. Approximately \$945,000 of selling and marketing expense related to the results of operations of KnowledgeStorm which we acquired in November 2007.

**Product Development.** The increase in product development expense was primarily attributable to \$612,000 of expense related to the results of operations of KnowledgeStorm which we acquired in November 2007. An additional \$144,000 of the increase was for consulting expenses related to IT infrastructure improvements to support the growing number of online offerings. The increase also reflects a \$244,000 increase in stock-based compensation.

**General and Administrative.** The increase in general and administrative expense was primarily attributable to a \$1.8 million increase in stock-based compensation and a \$482,000 increase in other employee compensation. The increase was also attributable to a \$955,000 increase in audit, legal, and insurance expenses related to operating as a publicly traded company since May 2007. The increase also reflects a \$259,000 increase in facilities expense due to leasing additional office space in our Needham, MA headquarters beginning in July 2007.

**Depreciation.** The increase in depreciation expense was attributable to purchases of property and equipment of \$2.7 million in the year ended December 31, 2007 compared to \$1.3 million in 2006.

**Amortization of Intangible Assets.** The decrease in amortization of intangible assets expense was attributable to intangible assets related to acquisitions in prior years becoming fully amortized, offset in part by the amortization of intangible assets related to our acquisitions of TechnologyGuide.com in May 2007 and KnowledgeStorm in November 2007.

**Interest Income (Expense), Net.** The increase in interest income (expense), net reflected an increase in average cash and short-term investment balances during 2007 compared to 2006.

**Provision for Income Taxes.** The provision for income taxes as a percentage of income before taxes, or our annual effective tax rate, was 45% in 2007 and 43% in 2006. The increase in the effective tax rate was primarily due to a decrease in pretax income in 2008 and an increase in nondeductible stock-based compensation; partially offset by an increase in interest income exempt from Federal taxation.

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## Selected Quarterly Results of Operations

The following table presents our unaudited quarterly consolidated results of operations and our unaudited quarterly consolidated results of operations as a percentage of revenue for the eight quarters ended December 31, 2008. The unaudited quarterly consolidated information has been prepared on the same basis as our audited consolidated financial statements. You should read the following table presenting our quarterly consolidated results of operations in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

|  | For the Three Months Ended            |                           |                           |           |                           |                           |                           |                           |
|--|---------------------------------------|---------------------------|---------------------------|-----------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2008                                  |                           |                           |           | 2007                      |                           |                           |                           |
|  | Mar. 31<br>As<br>restated             | Jun. 30<br>As<br>restated | Sep. 30<br>As<br>restated | Dec. 31   | Mar. 31<br>As<br>restated | Jun. 30<br>As<br>restated | Sep. 30<br>As<br>restated | Dec. 31<br>As<br>restated |
|  | (in thousands, except per share data) |                           |                           |           |                           |                           |                           |                           |
| Revenues:                                    |                                       |                           |                           |           |                           |                           |                           |                           |
| Online                                       | \$ 18,210                             | \$ 19,071                 | \$ 20,420                 | \$ 19,672 | \$ 13,284                 | \$ 14,584                 | \$ 14,539                 | \$ 18,946                 |
| Events                                       | 3,985                                 | 7,262                     | 5,496                     | 6,043     | 2,939                     | 6,350                     | 6,912                     | 8,053                     |
| Print  | 1,068                                 | 1,282                     | 1,080                     | 955       | 1,629                     | 1,869                     | 1,655                     | 1,490                     |
| Total revenues                               | 23,263                                | 27,615                    | 26,996                    | 26,670    | 17,852                    | 22,803                    | 23,106                    | 28,489                    |
| Cost of revenues:                            |                                       |                           |                           |           |                           |                           |                           |                           |
| Online                                       | 5,169                                 | 5,481                     | 5,462                     | 5,292     | 3,525                     | 3,900                     | 3,769                     | 4,381                     |
| Events                                       | 1,827                                 | 2,923                     | 2,328                     | 2,453     | 1,372                     | 2,410                     | 2,283                     | 2,546                     |
| Print  | 546                                   | 632                       | 580                       | 398       | 1,129                     | 999                       | 862                       | 798                       |
| Total cost of revenues                       | 7,542                                 | 9,036                     | 8,370                     | 8,143     | 6,026                     | 7,309                     | 6,914                     | 7,725                     |
| Gross profit                                 | 15,721                                | 18,579                    | 18,626                    | 18,527    | 11,826                    | 15,494                    | 16,192                    | 20,764                    |
| Operating expenses:                          |                                       |                           |                           |           |                           |                           |                           |                           |
| Selling and marketing                        | 8,444                                 | 8,885                     | 8,161                     | 7,991     | 6,152                     | 6,388                     | 7,271                     | 8,237                     |
| Product development                          | 2,762                                 | 2,890                     | 2,788                     | 2,555     | 1,748                     | 1,596                     | 1,677                     | 2,299                     |
| General and administrative                   | 3,795                                 | 3,459                     | 3,662                     | 3,747     | 2,610                     | 2,943                     | 3,364                     | 3,675                     |
| Depreciation                                 | 724                                   | 581                       | 579                       | 522       | 330                       | 364                       | 401                       | 515                       |
| Amortization of intangible assets            | 1,480                                 | 1,332                     | 1,259                     | 1,235     | 759                       | 1,041                     | 1,171                     | 1,769                     |
| Restructuring charge                         | -                                     | -                         | -                         | 1,494     | -                         | -                         | -                         | -                         |
| Total operating expenses                     | 17,205                                | 17,147                    | 16,449                    | 17,544    | 11,599                    | 12,332                    | 13,884                    | 16,495                    |
| Operating (loss) income                      | (1,484)                               | 1,432                     | 2,177                     | 983       | 227                       | 3,162                     | 2,308                     | 4,269                     |
| Interest income (expense), net               | 418                                   | 268                       | 248                       | 506       | (67)                      | 377                       | 897                       | 624                       |
| Income (loss) before provision for (benefit) | (1,066)                               | 1,700                     | 2,425                     | 1,489     | 160                       | 3,539                     | 3,205                     | 4,893                     |

|   |           |          |         |         |           |          |          |          |  |  |
|---|-----------|----------|---------|---------|-----------|----------|----------|----------|--|--|
| from) income taxes                        |           |          |         |         |           |          |          |          |  |  |
| Provision for (benefit from) income taxes | (630)     | 648      | 1,718   | 1,048   | 85        | 1,551    | 1,487    | 2,129    |  |  |
| Net income (loss)                         | \$ (436)  | \$ 1,052 | \$ 707  | \$ 441  | \$ 75     | \$ 1,988 | \$ 1,718 | \$ 2,764 |  |  |
| Net income (loss) per share basic         | \$ (0.01) | \$ 0.03  | \$ 0.02 | \$ 0.01 | \$ (0.31) | \$ 0.03  | \$ 0.04  | \$ 0.07  |  |  |
| Net income (loss) per share diluted       | \$ (0.01) | \$ 0.02  | \$ 0.02 | \$ 0.01 | \$ (0.31) | \$ 0.02  | \$ 0.04  | \$ 0.06  |  |  |

#### Seasonality

The timing of our revenues is affected by seasonal factors. Our revenues are seasonal primarily as a result of the annual budget approval process of many of our customers and the historical decrease in advertising activity in July and August. Revenues are usually the lowest in the first quarter of each calendar year, increase during the second quarter, decrease during the third quarter, and increase again during the fourth quarter. Events revenue may vary depending on which quarters we produce the event, which may vary when compared to previous periods. The timing of revenues in relation to our expenses, much of which does not vary directly with revenue, has an impact on the cost of online revenue, selling and marketing, product development, and general and administrative expenses as a percentage of revenue in each calendar quarter during the year.

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The majority of our expenses are personnel-related and include salaries, stock-based compensation, benefits and incentive-based compensation plan expenses. As a result, we have not experienced significant seasonal fluctuations in the timing of our expenses period to period.

## Liquidity and Capital Resources

## Resources

Since 2003, we have funded our operations principally with cash flows generated by operations. In May 2007, we completed our initial public offering of 8.9 million shares of our common stock, of which 7.1 million shares were sold by us and 1.8 million shares were sold by stockholders of ours, all at a price to the public of \$13.00 per share. We raised a total of \$91.9 million in gross proceeds from the offering, or \$83.2 million in net proceeds after deducting underwriting discounts and commissions of \$6.4 million and other offering costs of approximately \$2.3 million. We have used a portion of these proceeds to repay \$12.0 million that we had borrowed against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007 and to pay to the selling stockholders of KnowledgeStorm, Inc. approximately \$52 million in November 2007 as partial consideration in that acquisition. We believe that our existing cash and cash equivalents, our cash flow from operating activities and available bank borrowings will be sufficient to meet our anticipated cash needs for at least the next twelve months. Our future working capital requirements will depend on many factors, including the operations of our existing business, our potential strategic expansion internationally, future acquisitions we might undertake, and the expansion into complementary businesses. To the extent that our cash and cash equivalents and cash flow from operating activities are insufficient to fund our future activities, we may need to raise additional funds through bank credit arrangements or public or private equity or debt financings. We also may need to raise additional funds in the event we determine in the future to effect one or more additional acquisitions of businesses. In the event additional funding is required, we may not be able to obtain bank credit arrangements or affect an equity or debt financing on terms acceptable to us or at all.

|  | As of December 31, |          |          |
|--|--------------------|----------|----------|
|  | 2008               | 2007     | 2006     |
|  | (in thousands)     |          |          |
| Cash, cash equivalents and investments | \$69,568           | \$62,001 | \$30,830 |
| Accounts receivable, net               | 17,622             | 15,198   | 12,096   |

## Cash, Cash Equivalents and Investments

Our cash, cash equivalents and investments at December 31, 2008 were held for working capital purposes and were invested primarily in money market accounts and municipal bonds. We do not enter into investments for trading or speculative purposes.

## Accounts Receivable, Net

Our accounts receivable balance fluctuates from period to period, which affects our cash flow from operating activities. The fluctuations vary depending on the timing of our service delivery and billing activity, cash collections, and changes to our allowance for doubtful accounts. We use days' sales outstanding, or DSO, calculated on a monthly basis, as a measurement of the quality and status of our receivables. We define DSO as accounts receivable divided by total revenue for the applicable period, multiplied by the number of days in the applicable period. DSO was 60 days at December 31, 2008, 57 days at December 31, 2007, and 51 days at December 31, 2006.

## Operating Activities



|   | For the Years Ended December 31, |           |           |
|---|----------------------------------|-----------|-----------|
|   | 2008                             | 2007      | 2006      |
|   | (in thousands)                   |           |           |
| Cash provided by operating activities           | 10,565                           | 13,302    | 12,339    |
| Cash used in investing activities (1)           | (3,271 )                         | (67,884 ) | (16,280 ) |
| Cash provided by (used in) financing activities | 94                               | 85,753    | (12,108 ) |

(1) Cash used in investing activities shown net of investment activity of \$6.1 million and (\$51.3) million for the years ended December 31, 2008 and 2007, respectively.

Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, the provision for bad debt, stock-based compensation, deferred income taxes, and the effect of changes in working capital and other activities. Cash provided by operating activities for the year ended December 31, 2008 was \$10.6 million compared to \$13.3 million and \$12.3 million in the years ended December 31, 2007 and 2006, respectively, primarily due to decreased profitability.

#### Investing Activities

Cash used in investing activities primarily consists of purchases of property and equipment and acquisitions of businesses. Cash used in investing activities, net of investment activity, for the year ended December 31, 2008 was \$3.3 million and consisted of \$2.0 million for the purchase of property and equipment and \$1.3 million for the acquisition of The Brian Madden Company. Cash used in investing activities, net of investment activity, for the year ended December 31, 2007 was \$67.9 million and consisted of \$64.2 million for the acquisitions of TechnologyGuide.com in April 2007 and KnowledgeStorm in November 2007, net of cash acquired, \$2.7 million for the purchase of property and equipment and \$1.0 million to acquire certain assets of Ajaxian in February 2007. Cash used in investing activities for the year ended December 31, 2006 was \$16.3 million and consisted of \$15.0 million for the acquisition of 2020software.com in May 2006 and \$1.3 million for the purchase of property and equipment.

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### Equity Financing Activities

We received proceeds from the exercise of common stock options and warrants totaling \$2.2 million, \$2.5 million and \$892,000 for the years ended December 31, 2008, 2007 and 2006, respectively. In May 2007, we completed our initial public offering of 8.9 million shares of our common stock, of which 7.1 million shares were sold by us and 1.8 million shares were sold by stockholders of ours, all at a price to the public of \$13.00 per share. We raised a total of \$91.9 million in gross proceeds from the offering, or \$83.2 million in net proceeds after deducting underwriting discounts and commissions of \$6.4 million and other offering costs of approximately \$2.3 million.

### Term Loan and Credit Facility Borrowings

On August 30, 2006, we entered into a credit agreement with Citizens Bank of Massachusetts, which included a \$10.0 million term loan and a \$20.0 million revolving credit facility. As of December 31, 2008, outstanding borrowings under the credit agreements were \$3.0 million.

We borrowed \$12.0 million against our revolving credit facility in conjunction with the acquisition of TechnologyGuide.com in April 2007. The entire outstanding balance of \$12.0 million was repaid in May 2007 with proceeds from our initial public offering. Our revolving credit facility matures on August 30, 2011. Unless earlier payment is required by an event of default, all principal and any unpaid interest will be due and payable on August 30, 2011. At our option, the revolving credit facility bears interest at either the lender's prime rate less 1.00% or the London Interbank Offered Rate, or LIBOR, plus the applicable LIBOR margin. The applicable LIBOR margin is based on the ratio of total funded debt to EBITDA for the preceding four fiscal quarters. As of December 31, 2008, the applicable LIBOR margin was 1.25%.

We are also required to pay an unused line fee on the daily unused amount of our revolving credit facility at a per annum rate based on the ratio of total funded debt to EBITDA for the preceding four fiscal quarters. As of December 31, 2008, unused availability under our revolving credit facility totaled \$20 million and the per annum unused line fee rate was 0.20%.

Our term loan requires the payment of 39 consecutive monthly installments of \$250,000 each, plus interest, the first such installment was due on September 30, 2006, with a final payment of the entire unpaid principal balance due on December 30, 2009. In September 2006, we entered into an interest rate swap agreement to mitigate interest rate fluctuation, and fix the interest rate on the term loan at 6.98%.

Borrowings under our credit agreements are collateralized by an interest in and lien on all of our assets and certain other guarantees and pledges. Our credit agreements contain certain affirmative and negative covenants, which require, among other things, that we meet certain financial ratio covenants and limit certain capital expenditures. At December 31, 2008 we were in violation of one loan covenant under the credit agreement with Citizens Bank. We failed to file timely audited financial statements with the SEC. We received a waiver from the bank agreeing to waive compliance with such covenant solely for the quarters ending December 31, 2008 and March 31, 2009.

### Capital Expenditures

We have made capital expenditures primarily for computer equipment and related software needed to host our websites, internal-use software development costs, as well as for leasehold improvements and other general purposes to support our growth. Our capital expenditures totaled \$2.0 million, \$2.7 million, and \$1.3 million for the years ended December 31, 2008, 2007 and 2006, respectively. We expect to spend approximately \$3.3 million in capital expenditures in 2009 primarily for leasehold improvements, website development costs, computer equipment and related software, and internal-use software development costs. We are not currently party to any purchase contracts

related to future capital expenditures.

#### Contractual Obligations and Commitments

As of December 31, 2008, our principal commitments consist of obligations under leases for office space and principal and interest payments due under our bank term loan. The offices are leased under noncancelable operating lease agreements that expire through January 2013. The following table sets forth our commitments to settle contractual obligations in cash as of December 31, 2008:

|                        | Total    | Payments Due By Period |                |             | More than<br>5 Years |  |
|------------------------|----------|------------------------|----------------|-------------|----------------------|--|
|                        |          | Less than 1<br>Year    | 1 - 3 Years    | 3 - 5 Years |                      |  |
|                        |          |                        |                |             |                      |  |
|                        |          |                        | (in thousands) |             |                      |  |
| Bank term loan payable | \$ 3,000 | \$ 3,000               | \$ -           | \$ -        | \$ -                 |  |
| Operating leases       | 5,645    | 3,199                  | 2,395          | 51          | -                    |  |
| Total                  | \$ 8,645 | \$ 6,199               | \$ 2,395       | \$ 51       | \$ -                 |  |

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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Recent Accounting Pronouncements

See Note 3 of “Notes to Consolidated Financial Statements” for recent accounting pronouncements that could have an effect on us.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk

Our subsidiary, TechTarget Limited, was established in July 2006 and is located in London, England. As of December 31, 2008, most of our international customer agreements have been denominated in U.S. dollars, and aggregate foreign currency payments made by us through this subsidiary have been less than \$200,000 during the year ended December 31, 2008. We currently believe our exposure to foreign currency exchange rate fluctuations is financially immaterial and therefore have not entered into foreign currency hedging transactions. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in the future.

Interest Rate Risk

At December 31, 2008, we had cash, cash equivalents and investments totaling \$69.6 million. These amounts were invested primarily in money market accounts and municipal bonds. The cash, cash equivalents and investments were held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future investment income.

Our exposure to market risk also relates to the amount of interest expense we must pay under our revolving credit facility. The advances under this credit facility bear a variable rate of interest determined as a function of the lender's prime rate or LIBOR. At December 31, 2008, there were no amounts outstanding under our revolving credit facility.

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Item 8. Financial Statements and Supplementary Data

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| <u>Consolidated Balance Sheets as of December 31, 2008 and 2007</u>  | 51   |
| <u>Consolidated Statements of Operations for the Years Ended December 31, 2008, 2007 and 2006</u>  | 52   |
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of  
TechTarget, Inc.

We have audited the accompanying consolidated balance sheets of TechTarget, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TechTarget, Inc. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its financial statements for the years ended December 31, 2007 and 2006. In addition, as discussed in Note 2 to the consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of TechTarget, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 13, 2009 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts  
July 13, 2009

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TechTarget, Inc.  
Consolidated Balance Sheets  
(in thousands, except share and per share data)

|   | 2008              | December 31, | 2007           |
|---|-------------------|--------------|----------------|
|   |                   |              | As restated    |
| <b>Assets</b>   |                   |              |                |
| <b>Current assets:</b>  |                   |              |                |
| Cash and cash equivalents   | \$ 24,130         | \$           | 10,693         |
| Short-term investments  | 42,863            |              | 51,308         |
| Accounts receivable, net of allowance for doubtful accounts of \$642 and \$424 as of December 31, 2008 and 2007, respectively   | 17,622            |              | 15,198         |
| Prepaid expenses and other current assets   | 6,251             |              | 2,261          |
| Deferred tax assets   | 2,959             |              | 5,250          |
| <b>Total current assets</b>   | <b>93,825</b>     |              | <b>84,710</b>  |
| Property and equipment, net   | 3,904             |              | 4,401          |
| Long-term investments   | 2,575             |              | -              |
| Goodwill  | 88,958            |              | 88,326         |
| Intangible assets, net of accumulated amortization  | 17,242            |              | 21,939         |
| Other assets  | 139               |              | 203            |
| Deferred tax assets   | 3,369             |              | 2,910          |
| <b>Total assets</b>   | <b>\$ 210,012</b> | <b>\$</b>    | <b>202,489</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                   |              |                |
| <b>Current liabilities:</b>   |                   |              |                |
| Current portion of bank term loan payable   | \$ 3,000          | \$           | 3,000          |
| Accounts payable  | 3,404             |              | 2,919          |
| Income taxes payable  | -                 |              | 1,330          |
| Accrued expenses and other current liabilities  | 2,908             |              | 2,473          |
| Accrued compensation expenses   | 702               |              | 2,600          |
| Deferred revenue  | 8,749             |              | 9,378          |
| <b>Total current liabilities</b>  | <b>18,763</b>     |              | <b>21,700</b>  |
| <b>Long-term liabilities:</b>   |                   |              |                |
| Other liabilities   | 312               |              | 455            |
| Bank term loan payable, net of current portion  | -                 |              | 3,000          |
| <b>Total liabilities</b>  | <b>19,075</b>     |              | <b>25,155</b>  |
| Commitments (Note 11)   | -                 |              | -              |
| <b>Stockholders' equity (deficit):</b>  |                   |              |                |
| Preferred stock, 5,000,000 shares authorized; no shares issued or outstanding   | -                 |              | -              |
| Common stock, \$0.001 par value per share, 100,000,000 shares authorized; 41,616,963 and 41,081,616 shares issued and outstanding at December 31, 2008 and 2007, respectively | 42                |              | 41             |

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|  |            |            |
|--|------------|------------|
| Additional paid-in capital                 | 221,597    | 209,773    |
| Warrants                                   | 2          | 13         |
| Accumulated other comprehensive loss       | (77)       | (102)      |
| Accumulated deficit                        | (30,627)   | (32,391)   |
| Total stockholders' equity (deficit)       | 190,937    | 177,334    |
| Total liabilities and stockholders' equity | \$ 210,012 | \$ 202,489 |

See accompanying notes.

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TechTarget, Inc.  
 Consolidated Statements of Operations  
 (in thousands, except share and per share data)

|  | For the Years Ended December 31, |                     |                     |
|--|----------------------------------|---------------------|---------------------|
|  | 2008                             | 2007<br>As restated | 2006<br>As restated |
| <b>Revenues:</b>                                   |                                  |                     |                     |
| Online   | \$ 77,373                        | \$ 61,353           | \$ 51,372           |
| Events   | 22,786                           | 24,254              | 19,708              |
| Print  | 4,385                            | 6,643               | 8,119               |
| <b>Total revenues</b>                              | <b>104,544</b>                   | <b>92,250</b>       | <b>79,199</b>       |
| <b>Cost of revenues:</b>                           |                                  |                     |                     |
| Online (1)   | 21,404                           | 15,575              | 12,988              |
| Events (1)   | 9,531                            | 8,611               | 6,493               |
| Print (1)  | 2,156                            | 3,788               | 5,339               |
| <b>Total cost of revenues</b>                      | <b>33,091</b>                    | <b>27,974</b>       | <b>24,820</b>       |
| <b>Gross profit</b>                                | <b>71,453</b>                    | <b>64,276</b>       | <b>54,379</b>       |
| <b>Operating expenses:</b>                         |                                  |                     |                     |
| Selling and marketing (1)                          | 33,481                           | 28,048              | 20,305              |
| Product development (1)                            | 10,995                           | 7,320               | 6,295               |
| General and administrative (1)                     | 14,663                           | 12,592              | 8,756               |
| Depreciation                                       | 2,406                            | 1,610               | 1,144               |
| Amortization of intangible assets                  | 5,306                            | 4,740               | 5,029               |
| Restructuring charge (Note 6)                      | 1,494                            | -                   | -                   |
| <b>Total operating expenses</b>                    | <b>68,345</b>                    | <b>54,310</b>       | <b>41,529</b>       |
| <b>Operating income</b>                            | <b>3,108</b>                     | <b>9,966</b>        | <b>12,850</b>       |
| <b>Interest income (expense):</b>                  |                                  |                     |                     |
| Interest income                                    | 1,818                            | 2,815               | 1,613               |
| Interest expense                                   | (378)                            | (984)               | (1,292)             |
| <b>Total interest income (expense)</b>             | <b>1,440</b>                     | <b>1,831</b>        | <b>321</b>          |
| <b>Income before provision for income taxes</b>    | <b>4,548</b>                     | <b>11,797</b>       | <b>13,171</b>       |
| <b>Provision for income taxes</b>                  | <b>2,784</b>                     | <b>5,252</b>        | <b>5,658</b>        |
| <b>Net income</b>                                  | <b>\$ 1,764</b>                  | <b>\$ 6,545</b>     | <b>\$ 7,513</b>     |
| <b>Net income (loss) per common share:</b>         |                                  |                     |                     |
| Basic  | \$ 0.04                          | \$ 0.09             | \$ (0.42)           |
| Diluted  | \$ 0.04                          | \$ 0.08             | \$ (0.42)           |
| <b>Weighted average common shares outstanding:</b> |                                  |                     |                     |
| Basic  | 41,424,920                       | 28,384,303          | 7,824,374           |

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Diluted 43,439,619 31,346,738 7,824,374

(1) Amounts include stock-based compensation expense as follows:

|                            |       |       |      |
|----------------------------|-------|-------|------|
| Cost of online revenue     | \$407 | \$189 | \$87 |
| Cost of events revenue     | 91    | 53    | 31   |
| Cost of print revenue      | 6     | 15    | 12   |
| Selling and marketing      | 4,813 | 2,999 | 606  |
| Product development        | 473   | 334   | 90   |
| General and administrative | 2,881 | 2,244 | 424  |

See accompanying notes.

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TechTarget, Inc.  
 Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)  
 (in thousands, except share and per share data)

|   | Redeemable Convertible Preferred Stock |                  | Common Stock     |                   | Treasury Stock   |           | Additional Paid-In Capital | Warrants | Deferred Compensation | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|--|------------------|------------------|-------------------|------------------|-----------|----------------------------|----------|-----------------------|---|---------------------|--------------------------------------|
|   | Number of Shares                       | Redemption Value | Number of Shares | \$0.001 Par Value | Number of Shares | Value     |                            |          |                       |   |                     |                                      |
| As of December 31, 2018                         | 97,491,861                             | \$ 126,004       | 8,249,973        | \$ 8              | 836,010          | \$(4,548) | \$-                        | \$ 364   | \$ (28)               | \$ -  | \$ (59,519)         | \$ (6,000)                           |
| Retrospective effect of adoption of ASU 2014-10 | -                                      | -                | -                | -                 | -                | -         | -                          | -        | -                     | -   | (2,033)             | \$(2,033)                            |
| As of December 31, 2019 (as restated)           | 97,491,861                             | \$ 126,004       | 8,249,973        | \$ 8              | 836,010          | \$(4,548) | \$-                        | \$ 364   | \$ (28)               | \$ -  | \$ (61,552)         | \$ (6,000)                           |
| Issuance of convertible preferred stock         |  | 10,762           |                  |                   |                  |           | (10,762)                   |          |                       |   |                     | (10,762)                             |
| Exercise of warrants and options                |  |                  | 555,867          | 1                 |                  |           | 1,150                      | (259)    |                       |   |                     | 891                                  |
| Repurchase of common stock                      |  |                  | (836,010)        | (1)               | (836,010)        | 4,548     | (4,547)                    |          |                       |   |                     | -                                    |
| Issuance of common stock                        |  |                  |                  |                   |                  |           |                            |          | 28                    |   |                     | 28                                   |
| Issuance of common stock                        |  |                  |                  |                   |                  |           |                            |          |                       |   | 1,222               | 1,222                                |
| Issuance of common stock                        |  |                  |                  |                   |                  |           | 14,159                     |          |                       |   | (14,159)            | -                                    |
| Change in fair value of interest rate swap      |  |                  |                  |                   |                  |           |                            |          | (56)                  |   |                     | (56)                                 |
|   |  |                  |                  |                   |                  |           |                            |          | -                     |   | 7,513               | 7,513                                |

|  |              |            |            |      |   |     |          |        |       |          |             |       |
|--|--------------|------------|------------|------|---|-----|----------|--------|-------|----------|-------------|-------|
| ome (as<br>)   |              |            |            |      |   |     |          |        |       |          |             |       |
| hensive<br>(as<br>)  |              |            |            |      |   |     |          |        |       |          |             | 7     |
| ,<br>er 31,<br>s restated)                                       | 97,491,861   | \$ 136,766 | 7,969,830  | \$ 8 | - | \$- | \$-      | \$ 105 | \$ -  | \$ (56 ) | \$ (66,976) | \$ (6 |
| on of<br>able<br>ible<br>d stock                                 |              | 2,613      |            |      |   |     | (2,613 ) |        |       |          |             | (2    |
| ification<br>ditional<br>capital to<br>lated<br>rior to<br>ublic |              |            |            |      |   |     | 2,492    |        |       | (2,492 ) |             | -     |
| sion of<br>able<br>ible<br>d stock to<br>n stock                 | (97,491,861) | (139,379)  | 24,372,953 | 24   |   |     | 108,822  | 356    |       |          | 30,532      | 1     |
| common<br>initial<br>ffering,<br>suance                          |              |            | 7,072,097  | 7    |   |     | 83,154   |        |       |          |             | 8     |
| e of<br>n stock<br>arrants,<br>ptions and<br>d stock             |              |            | 1,306,916  | 2    |   |     | 2,862    | (398)  |       |          |             | 2     |
| e of<br>n stock to   |              |            |            |      |   |     |          |        |       |          |             |       |
| dgeStorm<br>tax benefit  |              |            | 359,820    |      |   |     | 6,000    |        |       |          |             | 6     |
| ptions   |              |            |            |      |   |     | 3,222    |        |       |          |             | 3     |
| ification<br>rred stock<br>s to other<br>es                      |              |            |            |      |   |     |          |        | (50 ) |          |             | (5    |
| ased<br>sation   |              |            |            |      |   |     | 5,834    |        |       |          |             | 5     |
| hensive  |              |            |            |      |   |     |          |        |       | (46 )    |             | (4    |

|             |   |      |            |       |   |     |           |       |      |          |             |      |
|-------------|---|------|------------|-------|---|-----|-----------|-------|------|----------|-------------|------|
| in fair     |   |      |            |       |   |     |           |       |      |          |             |      |
| of interest |   |      |            |       |   |     |           |       |      |          |             |      |
| up          |   |      |            |       |   |     |           |       |      |          |             |      |
| ome (as     |   |      |            |       |   |     |           |       |      |          | 6,545       | 6,   |
| )           |   |      |            |       |   |     |           |       |      |          |             |      |
| hensive     |   |      |            |       |   |     |           |       |      |          |             | 6,   |
| (as         |   |      |            |       |   |     |           |       |      |          |             |      |
| )           |   |      |            |       |   |     |           |       |      |          |             |      |
| ,           |   |      |            |       |   |     |           |       |      |          |             |      |
| er 31,      |   |      |            |       |   |     |           |       |      |          |             |      |
| s restated) | - | \$ - | 41,081,616 | \$ 41 | - | \$- | \$209,773 | \$ 13 | \$ - | \$ (102) | \$ (32,391) | \$ 1 |
| e of        |   |      |            |       |   |     |           |       |      |          |             |      |
| n stock     |   |      |            |       |   |     |           |       |      |          |             |      |
| arrants,    |   |      |            |       |   |     |           |       |      |          |             |      |
| ptions and  |   |      |            |       |   |     |           |       |      |          |             |      |
| d stock     |   |      | 535,347    | 1     |   |     | 2,214     | (11 ) |      |          |             | 2,   |
| tax benefit |   |      |            |       |   |     |           |       |      |          |             |      |
| ptions      |   |      |            |       |   |     | 939       |       |      |          |             | 9,   |
| ased        |   |      |            |       |   |     |           |       |      |          |             |      |
| sation      |   |      |            |       |   |     |           |       |      |          |             |      |
| e           |   |      |            |       |   |     | 8,671     |       |      |          |             | 8,   |
| hensive     |   |      |            |       |   |     |           |       |      |          |             |      |
| in fair     |   |      |            |       |   |     |           |       |      |          |             |      |
| of interest |   |      |            |       |   |     |           |       |      |          |             |      |
| up          |   |      |            |       |   |     |           |       |      |          | 26          | 2,   |
| zed gain    |   |      |            |       |   |     |           |       |      |          |             |      |
| stments     |   |      |            |       |   |     |           |       |      |          | 10          | 1,   |
| zed loss    |   |      |            |       |   |     |           |       |      |          |             |      |
| gn          |   |      |            |       |   |     |           |       |      |          |             |      |
| y           |   |      |            |       |   |     |           |       |      |          |             |      |
| on          |   |      |            |       |   |     |           |       |      |          | (11 )       | (1,  |
| ome         |   |      |            |       |   |     |           |       |      |          | 1,764       | 1,   |
| hensive     |   |      |            |       |   |     |           |       |      |          |             | 1,   |
| ,           |   |      |            |       |   |     |           |       |      |          |             |      |
| er 31,      |   |      |            |       |   |     |           |       |      |          |             |      |
|             | - | \$ - | 41,616,963 | \$ 42 | - | \$- | \$221,597 | \$ 2  | \$ - | \$ (77 ) | \$ (30,627) | \$ 1 |

See accompanying notes.

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TechTarget, Inc.  
Consolidated Statements of Cash Flows  
(in thousands)

|   | For the Years Ended December 31, |             |             |
|---|----------------------------------|-------------|-------------|
|   | 2008                             | 2007        | 2006        |
|   |                                  | As restated | As restated |
| <b>Operating Activities:</b>  |                                  |             |             |
| Net income  | \$ 1,764                         | \$ 6,545    | \$ 7,513    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |             |             |
| Depreciation and amortization   | 7,712                            | 6,350       | 6,173       |
| Provision for bad debt  | 441                              | 78          | 366         |
| Stock-based compensation  | 8,671                            | 5,834       | 1,250       |
| Non-cash interest expense   | 9                                | 312         | 92          |
| Deferred tax benefit  | 1,746                            | (1,715)     | 21          |
| Excess tax benefit - stock options  | (891)                            | (3,126)     | -           |
| Non-cash portion of restructuring charge  | 49                               | -           | -           |
| Other non-cash items related to income taxes                                      | 85                               | -           | -           |
| Changes in operating assets and liabilities, net of businesses acquired:          |                                  |             |             |
| Accounts receivable   | (2,871)                          | (1,985)     | (3,247)     |
| Prepaid expenses and other current assets   | (3,012)                          | 2,048       | (39)        |
| Other assets  | 55                               | 686         | (774)       |
| Accounts payable  | 476                              | (246)       | (741)       |
| Income taxes payable  | (1,330)                          | (524)       | 1,539       |
| Accrued expenses and other current liabilities                                    | 305                              | (855)       | 399         |
| Accrued compensation expenses   | (1,898)                          | (2,729)     | 446         |
| Deferred revenue  | (629)                            | 2,786       | (605)       |
| Other liabilities   | (117)                            | (157)       | (54)        |
| Net cash provided by operating activities   | 10,565                           | 13,302      | 12,339      |
| <b>Investing activities:</b>  |                                  |             |             |
| Purchases of property and equipment, and other assets                             | (2,037)                          | (2,709)     | (1,263)     |
| Purchases of short-term investments   | (60,103)                         | (354,729)   | -           |
| Purchases of long-term investments  | (17,114)                         | -           | -           |
| Proceeds from sales and maturities of short-term investments                      | 83,189                           | 303,421     | -           |
| Proceeds from sales and maturities of long-term investments                       | 77                               | -           | -           |
| Acquisition of assets   | (50)                             | (1,013)     | -           |
| Acquisition of businesses, net of cash acquired                                   | (1,184)                          | (64,162)    | (15,017)    |
| Net cash provided by (used in) investing activities                               | 2,778                            | (119,192)   | (16,280)    |
| <b>Financing activities:</b>  |                                  |             |             |
| Proceeds from revolving credit facility   | -                                | 12,000      | -           |
| Payments made on revolving credit facility  | -                                | (12,000)    | -           |
| Proceeds from bank term loan payable  | -                                | -           | 10,000      |
| Payments on bank term loan payable  | (3,000)                          | (3,000)     | (23,000)    |
| Proceeds from initial public offering, net of stock issuance costs                | -                                | 83,161      | -           |
| Excess tax benefit - stock options  | 891                              | 3,126       | -           |
| Proceeds from exercise of warrants and stock options                              | 2,203                            | 2,466       | 892         |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Net cash provided by (used in) financing activities                                 | 94        | 85,753    | (12,108)  |
| Net increase (decrease) in cash and cash equivalents                                | 13,437    | (20,137)  | (16,049)  |
| Cash and cash equivalents at beginning of period                                    | 10,693    | 30,830    | 46,879    |
| Cash and cash equivalents at end of period  | \$ 24,130 | \$ 10,693 | \$ 30,830 |
| Supplemental disclosure of cash flow information:                                   |           |           |           |
| Cash paid for interest  | \$ 318    | \$ 620    | \$ 1,286  |
| Cash paid for taxes   | \$ 4,561  | \$ 4,484  | \$ 4,165  |
| Supplemental disclosure of non-cash investing activities:                           |           |           |           |
| Issuance of common stock in connection with KnowledgeStorm acquisition              | \$ -      | \$ 6,000  | \$ -      |
| Accrual for cash to be paid in connection with The Brian Madden Company acquisition | \$ 131    | \$ -      | \$ -      |

See accompanying notes.

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TechTarget, Inc.  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2008, 2007 and 2006  
(In thousands, except share and per share data)

1. Organization and Operations

TechTarget, Inc. (the Company) is a leading provider of specialized online content that brings together buyers and sellers of corporate information technology, or IT, products. The Company sells customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases.

The Company's integrated content platform consists of a network of websites that are complemented with targeted in-person events and specialized IT magazines. Throughout all stages of the purchase decision process, these content offerings meet IT professionals' needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high return on investment (ROI). As IT professionals have become increasingly specialized, they have come to rely on our sector-specific websites for purchasing decision support. The Company's content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of users' respective job responsibilities and the marketing focus of the products that the Company's customers are advertising, content offerings are currently categorized across ten distinct media groups: Application Development; Channel; CIO/IT Strategy; Data Center and Virtualization; Enterprise Applications; Networking; Security; Storage; TechnologyGuide.com; and Vertical Software.

During December 2008, in response to the then-current and anticipated future economic uncertainties, the Company implemented an expense reduction program that included a reduction in workforce, a reduction in a certain office lease, the elimination of its two print publications, and a continuation of strict controls on discretionary spending. During the twenty-four month period immediately preceding the announced workforce reduction, the Company had hired approximately 150 employees to support existing and anticipated growth. The reduction in workforce resulted in a decrease of employees by approximately 76 full-time positions, representing approximately 12% of the Company's total workforce. As a result of the expense reduction program, the Company incurred a pre-tax restructuring charge of \$1,494 in the fourth quarter of 2008.

2. Restatement of Previously Issued Financial Statements

In connection with the Company's financial statement close process for the year ended December 31, 2008, the Company concluded that its methodology for determining the timing of recognizing webcast revenues was improper. The Company had been recognizing the majority of the revenue in the month in which the webcast occurred. The Company concluded that the webcast revenues should have been recognized ratably over the period in which the webcasts were available on the websites of the Company and its partners. In connection with this finding, the Company performed a comprehensive review of its business processes pertaining to all of its service revenue offerings and the related application of accounting policies and procedures to those business processes. The Company identified additional errors in the recognition of revenue relating to its whitepaper, promotional emails and sponsorship offerings. In addition, the Company identified errors in its assessment of whether or not it had verifiable objective evidence of fair value for undelivered elements in its advertising campaigns. As a result, the Company determined that verifiable objective evidence of fair value did not exist for elements in its advertising campaigns with multiple elements. Instead of allocating revenue to separate units of accounting based upon verifiable objective evidence of fair value, all deliverables in multiple element arrangements should have been combined as a single unit of accounting and revenue should have been recognized for the entire arrangement over the service period. The Company had historically concluded that its revenue arrangements with multiple elements could be divided into separate units of



accounting under the guidance prescribed in Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements With Multiple Deliverables.

The Company has restated its financial statements as of and for the years ended December 31, 2007, 2006, 2005 and 2004 in accordance with SFAS No. 154, Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3.

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## Adjustments to Consolidated Balance Sheet

The following is a summary of the adjustments to the Company's previously issued audited consolidated balance sheet as of December 31, 2007.

|   | December 31, 2007            |             |             |
|---|------------------------------|-------------|-------------|
|   | As<br>Previously<br>Reported | Adjustments | As Restated |
| Assets  |                              |             |             |
| Current assets:   |                              |             |             |
| Cash and cash equivalents   | \$ 10,693                    | \$ -        | \$ 10,693   |
| Short-term investments  | 51,308                       | -           | 51,308      |
| Accounts receivable, net of allowance for doubtful accounts of \$424 as of<br>December 31, 2007 | 15,198                       | -           | 15,198      |
| Prepaid expenses and other current assets   | 1,962                        | 299         | 2,261       |
| Deferred tax assets   | 2,947                        | 2,303       | 5,250       |
| Total current assets  | 82,108                       | 2,602       | 84,710      |
| Property and equipment, net   | 4,401                        | -           | 4,401       |
| Long-term investments   | -                            | -           | -           |
| Goodwill  | 88,326                       | -           | 88,326      |
| Intangible assets, net of accumulated amortization  | 21,939                       | -           | 21,939      |
| Deferred tax assets   | 2,910                        | -           | 2,910       |
| Other assets  | 203                          | -           | 203         |
| Total assets  | \$ 199,887                   | \$ 2,602    | \$ 202,489  |
| Liabilities and Stockholders' Equity  |                              |             |             |
| Current liabilities:  |                              |             |             |