OPENTABLE INC
Form 10-Q
August 06, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

o **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: 001-34357

OPENTABLE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**94-3374049** (I.R.S. Employer Identification No.)
799 Market Street, 4th Floor, San Francisco, CA (Address of Principal Executive Offices)	**94103** (Zip Code)

(415) 344-4200

(Registrant s Telephone Number, Including Area Code)

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 x No o

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes x No o

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 2, 2012, 22,602,542 shares of the registrant s common stock were outstanding.

Table of Contents

OPENTABLE, Inc.

Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

OPENTABLE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 57,543,000	$ 36,519,000
Short-term investments	14,344,000	13,411,000
Accounts receivable, net of allowance for doubtful accounts of $1,323,000, and $1,315,000 at June 30, 2012 and December 31, 2011	18,760,000	18,795,000
Prepaid expenses and other current assets	3,299,000	2,708,000
Deferred tax asset	11,089,000	11,238,000
Total current assets	105,035,000	82,671,000
Property, equipment and software, net	17,968,000	16,150,000
Goodwill	42,705,000	42,312,000
Intangibles, net	14,637,000	16,403,000
Deferred tax asset	9,063,000	5,466,000
Other assets	1,038,000	813,000
TOTAL ASSETS	$ 190,446,000	$ 163,815,000
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,567,000	$ 2,210,000
Accrued expenses	4,640,000	4,794,000
Accrued compensation	5,063,000	4,518,000
Deferred revenue	1,620,000	1,752,000
Dining rewards payable	24,379,000	20,827,000
Total current liabilities	37,269,000	34,101,000
Deferred revenue non-current	2,252,000	2,249,000
Deferred tax liability	3,515,000	3,915,000

Income tax liability		13,635,000		13,215,000
Other long-term liabilities		63,000		108,000
Total liabilities		56,734,000		53,588,000
COMMITMENTS AND CONTINGENCIES (Note 5)				
STOCKHOLDERS EQUITY:				
Common stock, $0.0001 par value 100,000,000 shares authorized; 24,121,821 and 24,009,404 shares issued, 22,600,601 and 22,709,857 shares outstanding at June 30, 2012 and December 31, 2011		2,000		2,000
Additional paid-in capital		192,641,000		171,465,000
Treasury stock, at cost (1,521,220 and 1,299,547 shares at June 30, 2012 and December 31, 2011)		(50,673,000)		(41,963,000)
Accumulated other comprehensive loss		(1,176,000)		(1,634,000)
Accumulated deficit		(7,082,000)		(17,643,000)
Total stockholders equity		133,712,000		110,227,000
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	190,446,000	$	163,815,000

See notes to condensed consolidated financial statements (unaudited).

Table of Contents

OPENTABLE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
REVENUES	$ 39,558,000	$ 34,290,000	$ 78,927,000	$ 67,997,000
COSTS AND EXPENSES:				
Operations and support	10,338,000	9,686,000	20,858,000	19,158,000
Sales and marketing	8,483,000	6,403,000	17,343,000	14,215,000
Technology	3,610,000	3,531,000	6,858,000	7,578,000
General and administrative	8,250,000	5,148,000	17,601,000	11,010,000
Total costs and expenses	30,681,000	24,768,000	62,660,000	51,961,000
Income from operations	8,877,000	9,522,000	16,267,000	16,036,000
Other income, net	13,000	24,000	30,000	45,000
Income before taxes	8,890,000	9,546,000	16,297,000	16,081,000
Income tax expense	3,145,000	3,221,000	5,736,000	5,571,000
NET INCOME	$ 5,745,000	$ 6,325,000	$ 10,561,000	$ 10,510,000
Net income per share (See Note 7):				
Basic	$ 0.25	$ 0.27	$ 0.47	$ 0.45
Diluted	$ 0.25	$ 0.26	$ 0.46	$ 0.43
Weighted average shares outstanding:				
Basic	22,578,000	23,558,000	22,557,000	23,446,000
Diluted	23,169,000	24,615,000	23,164,000	24,573,000

See notes to condensed consolidated financial statements (unaudited).

Table of Contents

OPENTABLE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net Income	$ 5,745,000	$ 6,325,000	$ 10,561,000	$ 10,510,000
Foreign currency translation gain (loss)	(1,465,000)	(51,000)	460,000	2,033,000
Unrealized gain (loss) on investments		7,000	(2,000)	7,000
Other comprehensive gain (loss)	(1,465,000)	(44,000)	458,000	2,040,000
COMPREHENSIVE INCOME	$ 4,280,000	$ 6,281,000	$ 11,019,000	$ 12,550,000

See notes to condensed consolidated financial statements (unaudited).

Table of Contents

OPENTABLE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
OPERATING ACTIVITIES:		
Net income	$ 10,561,000	$ 10,510,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,357,000	3,788,000
Amortization of intangibles	1,949,000	1,993,000
Provision for doubtful accounts	1,154,000	822,000
Stock-based compensation	11,177,000	4,840,000
Write-off of property, equipment and software	181,000	723,000
Deferred taxes	(3,433,000)	
Excess tax benefit related to stock compensation	(7,948,000)	(1,912,000)
Change in contingent liability	(21,000)	(1,085,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,102,000)	(2,917,000)
Prepaid expenses and other current assets	(778,000)	(338,000)
Accounts payable and accrued expenses	7,749,000	2,587,000
Accrued compensation	559,000	198,000
Deferred revenue	(128,000)	(48,000)
Long-term liabilities	(56,000)	3,532,000
Dining rewards payable	3,551,000	2,678,000
Net cash provided by operating activities	27,772,000	25,371,000
INVESTING ACTIVITIES:		
Purchases of property, equipment and software	(6,659,000)	(4,652,000)
Purchases of investments	(10,315,000)	(18,196,000)
Sales of investments	9,330,000	8,228,000
Decrease in restricted cash		176,000
Net cash used in investing activities	(7,644,000)	(14,444,000)
FINANCING ACTIVITIES:		
Excess tax benefit related to stock-based compensation	7,948,000	1,912,000
Proceeds from issuance of common stock upon exercise of employee stock options	1,736,000	3,817,000
Repurchases of common stock	(8,710,000)	
Net cash provided by financing activities	974,000	5,729,000
EFFECT OF EXCHANGE RATES ON CASH	(78,000)	60,000

NET INCREASE IN CASH AND CASH EQUIVALENTS			21,024,000		16,716,000
CASH AND CASH EQUIVALENTS	Beginning of period		36,519,000		33,444,000
CASH AND CASH EQUIVALENTS	End of period	$	57,543,000	$	50,160,000

(Continued)

Table of Contents

OPENTABLE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Unaudited)

	Six Months Ended June 30, 2012		Six Months Ended June 30, 2011	
SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW INFORMATION:				
Cash paid for income taxes	$	1,105,000	$	122,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Purchase of property, equipment and software recorded in accounts payable and accrued expenses	$	350,000	$	390,000
Vesting of early exercised stock options	$	1,000	$	541,000

Table of Contents

OPENTABLE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization and Description of Business

OpenTable, Inc. (together with its subsidiaries, including toptable.co.uk Ltd. (toptable), OpenTable or the Company), was incorporated on October 13, 1998, and is a Delaware corporation. The Company provides solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. For restaurant customers, the Company provides a proprietary Electronic Reservation Book, or ERB, and Connect. The ERB combines proprietary software and computer hardware to deliver a solution that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. The ERB streamlines and enhances a number of business-critical functions and processes for restaurants, including reservation management, table management, guest recognition and email marketing. For restaurants that do not require the operational benefits of the ERB, OpenTable offers Connect, a web-based solution that enables participating restaurants to receive reservations from OpenTable websites and mobile applications as well as the websites and mobile applications of OpenTable s partners and restaurant customers. For diners, the Company operates www.opentable.com and www.toptable.co.uk, popular restaurant reservation websites, and also provides a variety of mobile applications. The Company refers to www.opentable.com, www.toptable.co.uk and related websites as the OpenTable websites. The OpenTable websites and mobile applications enable diners to find, choose and book tables at restaurants on the OpenTable network that use the ERB and Connect in real time, overcoming the inefficiencies associated with the traditional process of reserving by phone.

Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry, and accordingly, can be affected by a variety of factors. For example, management of the Company believes that changes in any of the following areas could have a significant negative effect on the Company s future financial position, results of operations or cash flows: the ability to maintain an adequate rate of growth; the impact of the current economic climate on its business; the ability to effectively manage its growth; the ability to attract new restaurant customers; the ability to increase the number of visitors to its websites and convert those visitors into diners; and the ability to retain existing restaurant customers and diners or encourage repeat reservations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

These condensed consolidated financial statements include the accounts of OpenTable, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed on February 24, 2012 with the SEC (the 2011 Annual Report). The condensed consolidated balance sheet as of December 31, 2011, included herein was derived from the audited consolidated financial statements as of that date but does not include all disclosures required by GAAP, including notes to the consolidated financial statements.

Table of Contents

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the Company s statement of financial position at June 30, 2012 and December 31, 2011, and the Company s results of operations for the three and six months ended June 30, 2012 and 2011, and its cash flows for the six months ended June 30, 2012 and 2011. The results for the three and six months ended June 30, 2012 are not necessarily indicative of the results to be expected for any future period. All references to June 30, 2012 or to the three or six months ended June 30, 2012 and 2011 in the notes to the condensed consolidated financial statements are unaudited.

Use of Estimates

The preparation of the Company s financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Recently Issued Accounting Standards

In June 2011, the FASB issued Topic 220 *Presentation of Comprehensive Income* (Topic 220). Topic 220 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Topic 220 requires that all non-owner changes in stockholders equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amended guidance, which must be applied retroactively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with earlier adoption permitted. The adoption of this standard changed the presentation of the Company s consolidated financial statements but had no effect on the reported amounts of comprehensive net income.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles-Goodwill and Other (Topic 350) *Testing Goodwill for Impairment*. Topic 350 is intended to simplify goodwill impairment testing by adding a qualitative review step to assess whether the quantitative impairment analysis under the Standard is necessary. Topic 350 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Topic 350 is effective for interim and annual periods beginning after December 15, 2011. The Company performs its annual impairment testing of goodwill in the third quarter of each year, and does not expect the application of this Standard to have an impact on its reported results of operations.

Table of Contents

3. Short-Term Investments and Fair Value Measurements

Short-term investments are summarized as follows:

	Cost	Gains	Losses	Market Value
At June 30, 2012:				
U.S. government and agency securities	$ 7,907,000	$ 2,000	$ (1,000)	$ 7,908,000
Certificates of deposit	3,115,000			3,115,000
Corporate bonds	2,622,000		(1,000)	2,621,000
Commercial paper	700,000			700,000
Total	$ 14,344,000	$ 2,000	$ (2,000)	$ 14,344,000

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Market Value
At December 31, 2011:				
U.S. government and agency securities	$ 10,538,000	$ 3,000	$ (1,000)	$ 10,540,000
Certificates of deposit	2,871,000			2,871,000
Total	$ 13,409,000	$ 3,000	$ (1,000)	$ 13,411,000

As of June 30, 2012, certain investments with a total estimated fair value of $4,200,000 had maturity dates of greater than one year. As of December 31, 2011, there were no investments that had maturity dates of greater than one year.

The Company records its financial assets and liabilities at fair value. The accounting standard for fair value provides a framework for measuring fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting standard establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- ***Level 1*** Quoted prices in active markets for identical assets or liabilities. The Company considers a market to be active when transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- ***Level 2*** Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- ***Level 3*** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation of Level 3 investments requires the use of significant management judgments or estimation.

Table of Contents

In accordance with Topic 820 *Fair Value Measurements and Disclosures*, the following table represents the Company s fair value hierarchy for its financial assets:

	June 30, 2012			December 31, 2011		
	Aggregate Fair Value	Level 1	Level 2	Aggregate Fair Value	Level 1	Level 2
U.S. government and agency securities	$ 7,908,000	$	$ 7,908,000	$ 10,540,000	$	$ 10,540,000
Certificates of deposit	3,115,000		3,115,000	2,871,000		2,871,000
Corporate bonds	2,621,000		2,621,000			
Commercial paper	700,000		700,000			
Total short-term investments	$ 14,344,000	$	$ 14,344,000	$ 13,411,000	$	$ 13,411,000

The Company chose not to elect the fair value option as prescribed by ASC Topic 825 *Financial Instruments* for its financial assets and liabilities that had not been previously carried at fair value. Therefore, financial assets and liabilities not carried at fair value, such as accounts payable, are still reported at their carrying values.

4. Goodwill and Intangible Assets

As of June 30, 2012, goodwill included $38,144,000 resulting from the acquisition of toptable (adjusted by $506,000 for the change in foreign currency exchange rates from the date of acquisition through June 30, 2012), $2,756,000 resulting from the acquisition of Table Maestro, LLC, and $1,805,000 resulting from the acquisition of GuestBridge, Inc. A summary of the carrying amount of goodwill by business segment as of June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012	December 31, 2011
North America	$ 4,561,000	$ 4,561,000
International	38,144,000	37,751,000
Total Goodwill	$ 42,705,000	$ 42,312,000

A summary of intangible assets as of June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Total	Gross Carrying Value	Accumulated Amortization	Total
Trademarks - finite life	$132,000	$65,000	$67,000	$132,000	$51,000	$81,000
Trademarks - indefinite life	11,875,000		11,875,000	11,752,000		11,752,000

Customer relationships	8,166,000	5,648,000	2,518,000	8,091,000	4,042,000	4,049,000
Developed technology	1,527,000	1,350,000	177,000	1,514,000	993,000	521,000
Total intangible assets	$21,700,000	$7,063,000	$14,637,000	$21,489,000	$5,086,000	$16,403,000

Table of Contents

Amortization of intangible assets was $978,000 and $1,005,000 for the three months ended June 30, 2012 and 2011, respectively. Amortization of intangible assets was $1,949,000 and $1,993,000 for the six months ended June 30, 2012 and 2011, respectively. Based on the current amount of intangibles subject to amortization, estimated future annual amortization expense is as follows: 2012 (remainder): $1,385,000; 2013: $1,311,000; 2014: $66,000.

5. Commitments and Contingencies

The Company leases its facilities under operating leases. Leases expire at various dates through 2016. The terms of the lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period.

Litigation

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of such matters will not have a material adverse effect on the Company s business, financial position, results of operations or cash flows.

6. Stockholders Equity

Treasury Stock

In November 2011, the Board of Directors authorized the Company to purchase up to $50 million of its outstanding common stock. In January 2012, the Company completed the repurchase program with the purchase of 221,763 shares of stock for $8,710,000.

Stock-Based Compensation

The Company accounts for stock-based compensation under Topic 718 *Stock Compensation* (Topic 718), which requires compensation costs related to share-based transactions, including employee stock options, to be recognized in the financial statements based on fair value.

Under Topic 718, the fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes the assumptions relating to the Company s stock options for the three and six months ended June 30, 2012 and 2011, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Dividend yield	0%	0%	0%	0%
Volatility	52.9-54.7%	53.0%	52.0-54.7%	53.0%
Risk-free interest rate	0.82%-0.97%	1.77%-2.08%	0.82%-1.27%	1.77%-2.67%
Expected term, in years	5.50-6.02	5.50-5.52	5.27-6.55	5.50-6.08

Table of Contents

The Company granted 132,351 and 107,790 stock options during the three months ended June 30, 2012 and 2011, respectively, and 1,210,909 and 108,390 stock options during the six months ended June 30, 2012 and 2011, respectively. The Company recorded stock-based compensation expense related to stock options of $4,984,000 and $1,118,000 for three months ended June 30, 2012 and 2011, respectively, and $9,899,000 and $3,843,000 for the six months ended June 30, 2012 and 2011, respectively.

Topic 718 requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow. This requirement reduces net operating cash flows and increases net financing cash flows. For the three months ended June 30, 2012 and 2011, the Company recorded $4,995,000 and $1,576,000, respectively, of excess tax benefits from stock-based compensation and $7,948,000 and $1,912,000, for the six months ended June 30, 2012 and 2011, respectively.

Restricted Stock Units

The Company began granting restricted stock units (RSUs) to its employees in November 2010. The cost of RSUs is determined using the fair value of the Company s common stock on the date of grant. RSUs typically vest and become exercisable annually, based on a one to four year total vesting term. Stock-based compensation expense is amortized using a graded vesting attribution method over the requisite service period.

The Company granted 89,573 and 23,736 RSUs during the three months ended June 30, 2012 and 2011, respectively, and 95,797 and 35,246 RSUs during the six months ended June 30, 2012 and 2011, respectively. The Company recorded stock-based compensation expense related to RSUs of $269,000 and $718,000 for the three months ended June 30, 2012 and 2011, respectively, and $1,278,000 and $997,000 for the six months ended June 30, 2012 and 2011, respectively.

7. Net Income Per Share

The Company calculates net income per share in accordance with Topic 260 *Earnings per Share*. Basic and diluted net income per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company s weighted average unvested shares subject to repurchase and settlement in shares of common stock upon vesting have the non-forfeitable right to receive dividends on an equal basis with common stock and therefore are considered participating securities that must be included in the calculation of net income per share using the two-class method in all presented periods. As of June 30, 2012, the Company had a negligible amount of unvested shares remaining.

Non-vested performance-based awards are included in the diluted shares outstanding each period if established performance criteria have been met at the end of the respective periods. 98,000 and 220,000 shares were excluded from the dilutive shares outstanding for the three months ended June 30, 2012 and 2011, and 98,000 and 220,000 for the six months ended June 30, 2012 and 2011, respectively, as the performance criteria had not been met as of the respective dates.

Table of Contents

Anti-dilutive shares in the amounts of 1,271,000 and 18,000 were excluded from the dilutive shares outstanding for the three months ended June 30, 2012 and 2011, respectively. Anti-dilutive shares in the amounts of 1,407,000 and 80,000 were excluded from the dilutive shares outstanding for the six months ended June 30, 2012 and 2011, respectively.

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Basic net income per common share calculation:				
Net income	$ 5,745,000	$ 6,325,000	$ 10,561,000	$ 10,510,000
Less: Undistributed earnings allocated to participating securities		(5,000)		(19,000)
Net income attributable to common shares - basic	$ 5,745,000	$ 6,320,000	$ 10,561,000	$ 10,491,000
Basic weighted average common shares outstanding	22,578,000	23,558,000	22,557,000	23,446,000
Basic net income per share	$ 0.25	$ 0.27	$ 0.47	$ 0.45
Diluted net income per common share calculation:				
Net income	$ 5,745,000	$ 6,325,000	$ 10,561,000	$ 10,510,000
Less: Undistributed earnings allocated to participating securities		(3,000)		(12,000)
Net income attributable to common shares - diluted	$ 5,745,000	$ 6,322,000	$ 10,561,000	$ 10,498,000
Weighted average shares used to compute basic net income per share	22,578,000	23,558,000	22,557,000	23,446,000
Effect of potentially dilutive securities:				
Unvested common shares subject to repurchase		11,000		27,000
Employee stock options	542,000	1,037,000	563,000	1,093,000
Employee stock awards	49,000	9,000	44,000	7,000
Weighted average shares used to compute diluted net income per share	23,169,000	24,615,000	23,164,000	24,573,000
Diluted net income per share	$ 0.25	$ 0.26	$ 0.46	$ 0.43

8. Income Taxes

During the three and six months ended June 30, 2012, the Company recorded income tax expense of $3,145,000 and $5,736,000, respectively, which resulted in an effective tax rate of 35% in each respective period. During the three and six months ended June 30, 2011, the Company recorded income tax expense of $3,221,000 and $5,571,000, respectively, which resulted in an effective tax rate of 34% and 35%, respectively. The expected tax provision derived from applying the federal statutory rate to the Company s income before income tax provision for the three and six months ended June 30, 2012 differed from the Company s recorded income tax provision primarily due to benefits resulting from the recognition of current year state research and development credits and the federal Domestic Manufacturing Deduction. The Company s effective tax rate for the three and six months ended June 30, 2012 is not necessarily indicative of the effective tax rate that may be expected for fiscal year 2012.

Topic 740 *Income Taxes* prescribes that a tax position is required to meet a minimum recognition threshold before being recognized in the financial statements. The Company s gross unrecognized tax benefits as of June 30, 2012 and December 31, 2011 were $17,835,000 and $17,648,000, respectively. As of June 30, 2012 and December 31, 2011, the Company recorded $187,000 and $200,000, respectively, of accrued interest. No significant penalties have been recorded to date.

Table of Contents

9. Comprehensive Income (Loss)

In accordance with Topic 220 *Comprehensive Income*, the Company reports by major components and, as a single total, the change in its net assets during the period from non-owner sources. Comprehensive income (loss) consists of net income and accumulated other comprehensive income (loss), which includes certain changes in equity that are excluded from net income. Specifically, it includes cumulative foreign currency translation and the unrealized gain (loss) from investments.

Accumulated other comprehensive loss of $1,176,000 as of June 30, 2012 was comprised entirely of foreign currency translation losses. Accumulated other comprehensive loss of $1,634,000 as of December 31, 2011 was comprised of $1,637,000 of foreign currency translation losses and $3,000 of unrealized gain on investments.

10. Segment Information

The Company operates in one industry online restaurant reservations and guest management solutions. The Company has two reportable segments: North America and International, as defined by Topic 280 *Segment Reporting*. Reportable segments have been identified based on how management makes operating decisions, assesses performance and allocates resources. The Chief Executive Officer acts as the chief operating decision maker on behalf of both segments. The Company does not allocate assets discretely by reportable segments, and reviews asset information on a global basis, not by segment.

Table of Contents

Summarized financial information concerning the reportable segments is as follows:

	North America Segment(1)	International Segment	Total Consolidated
Three months ended June 30, 2012			
Revenues reservations	$ 19,721,000	$ 2,590,000	$ 22,311,000
Revenues subscription	12,265,000	1,662,000	13,927,000
Revenues other	2,486,000	834,000	3,320,000
Income (loss) from operations	11,374,000	(2,497,000)	8,877,000
Interest income	17,000		17,000
Depreciation and amortization expense	1,859,000	1,270,000	3,129,000
Purchases of property, equipment and software	1,959,000	1,050,000	3,009,000
Three months ended June 30, 2011			
Revenues reservations	$ 15,560,000	$ 2,736,000	$ 18,296,000
Revenues subscription	11,090,000	1,472,000	12,562,000
Revenues other	2,592,000	840,000	3,432,000
Income (loss) from operations	12,240,000	(2,718,000)	9,522,000
Interest income	16,000	2,000	18,000
Depreciation and amortization expense	1,741,000	1,209,000	2,950,000
Purchases of property, equipment and software	1,692,000	742,000	2,434,000
Six months ended June 30, 2012			
Revenues reservations	$ 38,935,000	$ 5,703,000	$ 44,638,000
Revenues subscription	24,165,000	3,302,000	27,467,000
Revenues other	5,095,000	1,727,000	6,822,000
Income (loss) from operations	21,354,000	(5,087,000)	16,267,000
Interest income	29,000		29,000
Depreciation and amortization expense	3,548,000	2,758,000	6,306,000
Purchases of property, equipment and software	4,222,000	2,437,000	6,659,000
Six months ended June 30, 2011			
Revenues reservations	$ 30,536,000	$ 5,367,000	$ 35,903,000
Revenues subscription	21,711,000	2,869,000	24,580,000
Revenues other	5,769,000	1,745,000	7,514,000
Income (loss) from operations	22,325,000	(6,289,000)	16,036,000
Interest income	32,000	2,000	34,000
Depreciation and amortization expense	3,436,000	2,345,000	5,781,000
Purchases of property, equipment and software	3,296,000	1,356,000	4,652,000

(1) A significant majority of the Company s Technology costs are incurred in the United States and as such are allocated to the North America segment. There are no internal revenue transactions between the Company s reporting segments.

Table of Contents

Geographical Information

The Company is domiciled in the United States and has international operations in Canada, Germany, Japan, Mexico and the United Kingdom. Information regarding the Company s operations by geographic area is presented below:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues:				
United States	$ 32,429,000	$ 27,430,000	$ 64,125,000	$ 54,521,000
United Kingdom	3,902,000	4,149,000	8,429,000	8,272,000
International - all others	3,227,000	2,711,000	6,373,000	5,204,000
	$ 39,558,000	$ 34,290,000	$ 78,927,000	$ 67,997,000

	As of June 30, 2012	As of December 31, 2011
Long-lived assets(1):		
United States	$ 13,215,000	$ 12,536,000
United Kingdom	3,847,000	2,399,000
International all others	1,463,000	2,670,000
Total long-lived assets	$ 18,525,000	$ 17,605,000

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(1) Includes all non-current assets except deferred tax assets, goodwill, patents and intangible assets.

The Company had no customers that individually, or in the aggregate, exceeded 10% of revenues or accounts receivable as of and for any of the periods presented above.

11. Subsequent Events

On August 3, 2012, the Company closed the acquisition of Treat Technologies, Inc., a provider of the Treatful-branded online gift card solutions for restaurants, for approximately $4 million in cash pursuant to an agreement and plan of merger.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our 2011 Annual Report.

This quarterly report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are often identified by the use of words such as, but not limited to, anticipate, believe, can, continue, could, estimate, expect, intend, may, will, plan, project, seek, should, target, would and similar expression identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled Risk Factors included below and in our 2011 Annual Report. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions for restaurants include our proprietary Electronic Reservation Book, or ERB, and Connect. Our solutions for diners include our popular restaurant reservation websites, www.opentable.com and www.toptable.co.uk, as well as a variety of mobile applications. We refer to www.opentable.com, www.toptable.co.uk and related websites as the OpenTable websites. The OpenTable network includes more than 25,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated over 350 million diners through OpenTable reservations, and during the three months ended June 30, 2012, we seated an average of more than 10 million diners per month. Restaurants that use our ERB pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. Diners can use our online restaurant reservation service for free. For the three months ended June 30, 2012 and 2011, our net revenues were $39.6 million and $34.3 million, respectively. For the six months ended June 30, 2012 and 2011, our net revenues were $78.9 million and $68.0 million, respectively. For the three months ended June 30, 2012 and 2011, our reservation revenues accounted for 56% and 53% of our total revenues, respectively, and 57% and 53% of total revenues for the six months ended June 30, 2012 and 2011, respectively. For the three months ended June 30, 2012 and 2011, our subscription revenues accounted for 35% and 37% of our total revenues, respectively, and 35% and 36% of revenues for the six months ended June 30, 2012 and 2011, respectively.

In 2004, we began to selectively expand outside of North America into countries that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. To date, we have concentrated our international efforts in Germany, Japan and the United Kingdom. Our revenues outside of North America for the three months ended June 30, 2012 and 2011 represented 13% and 15% of our total revenues, respectively, and for the six months ended June 30, 2012 and 2011, represented 14% and 15% of our total revenues, respectively. We intend to continue to incur substantial expenses in advance of recognizing material related revenues as we attempt to further penetrate our existing international markets and selectively enter new markets. Some international markets may fail to meet our expectations, and we may decide to realign our focus.

Table of Contents

Basis of Presentation

General

We report consolidated operations in U.S. dollars and operate in two geographic segments: North America and International. The North America segment is comprised of all of our operations in the United States, Canada and Mexico, and the International segment is comprised of all non-North America operations, which includes operations in Europe and Asia.

Revenues

We generate substantially all of our revenues from our restaurant customers. Our revenues include monthly subscription fees, a fee for each restaurant guest seated through online reservations and other revenue, including installation fees for our ERB (including training). Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered to our restaurant customers. Revenues from online reservations are recognized on a transaction basis as the diners are seated by the restaurant. Installation fees are recognized on a straight-line basis over an estimated customer life of approximately three to six years. Revenues are shown net of redeemable Dining Points issued to diners. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Dining Rewards Loyalty Program in our 2011 Annual Report.

Costs and Expenses

Operations and support. Our operations and support expenses consist primarily of payroll and related costs, including bonuses and stock-based compensation, for those employees associated with installation, support and maintenance for our restaurant customers, as well as costs related to our outsourced call center. Operations and support expenses also include restaurant equipment costs, such as depreciation on restaurant-related hardware, shipping costs related to restaurant equipment, restaurant equipment costs that do not meet the capitalization threshold, referral payments and website connectivity costs. Operations and support expenses also include amortization of capitalized website and software development costs (see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Website and Software Development Costs in our 2011 Annual Report). Also included in operations and support expenses are travel and related expenses incurred by the employees providing installation and support services for our restaurant customers, plus allocated facilities costs.

Sales and marketing. Our sales and marketing expenses consist primarily of salaries, benefits and incentive compensation for sales and marketing employees, including stock-based compensation. Also included are expenses for trade shows, public relations and other promotional and marketing activities, travel and entertainment expenses and allocated facilities costs.

Technology. Our technology expenses consist primarily of salaries and benefits, including bonuses and stock-based compensation, for employees and contractors engaged in the development and ongoing maintenance of our websites, infrastructure and software, as well as allocated facilities costs.

General and administrative. Our general and administrative costs consist primarily of salaries and benefits, including stock-based compensation, for general and administrative employees and contractors involved in executive, finance, accounting, risk management, human resources and legal roles. In addition, general and administrative costs include consulting, legal, accounting and other professional fees. Bad debt, third-party payment processor, credit card, bank processing fees and allocated facilities costs are also included in general and administrative expenses.

Headcount consists of full-time equivalent employees, including full-time equivalent temporary employees, in all of the sections noted below.

Other Income, Net

Other income, net consists primarily of the interest income earned on our cash accounts. Foreign exchange gains and losses are also included in other income, net.

Table of Contents

Income Taxes

We are subject to income tax in the United States as well as other tax jurisdictions in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may also be subject to current U.S. income tax.

During the three and six months ended June 30, 2012, we recorded income tax expense of $3.1 million and $5.7 million, respectively, which resulted in an effective tax rate of 35% for each respective period. During the three and six months ended June 30, 2011, we recorded income tax expense of $3.2 million and $5.6 million, respectively, which resulted in an effective tax rate of 34% and 35%, respectively. The tax provision and the effective tax rate for the three and six months ended June 30, 2012 did not differ significantly from those of the same period ended June 30, 2011. Our effective tax rates for the three and six months ended June 30, 2012 are not necessarily indicative of the effective tax rate that may be expected for fiscal year 2012.

Factors that impact our income tax provision include, but are not limited to, recognition of research and development tax benefits and the federal Domestic Manufacturing Deduction.

Critical Accounting Policies and Estimates

In presenting our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures.

Some of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We base these estimates and assumptions on historical experience or on various other factors that we believe to be reasonable and appropriate under the circumstances. On an ongoing basis, we reconsider and evaluate our estimates and assumptions. Our future estimates may change if the underlying assumptions change. Actual results may differ significantly from these estimates.

There have been no material changes to our critical accounting policies described in our 2011 Annual Report. For further information on our critical and other significant accounting policies, see our 2011 Annual Report.

We believe that the following critical accounting policies involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our consolidated financial statements:

- Revenue Recognition;

- Dining Rewards Loyalty Program;
- Website and Software Development Costs;
- Income Taxes; and
- Stock-Based Compensation.

Table of Contents

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In thousands, except per share amounts)			
REVENUES	$ 39,558	$ 34,290	$ 78,927	$ 67,997
COSTS AND EXPENSES:				
Operations and support (1)	10,338	9,686	20,858	19,158
Sales and marketing (1)	8,483	6,403	17,343	14,215
Technology (1)	3,610	3,531	6,858	7,578
General and administrative (1)	8,250	5,148	17,601	11,010
Total costs and expenses	30,681	24,768	62,660	51,961
Income from operations	8,877	9,522	16,267	16,036
Other income, net	13	24	30	45
Income before taxes	8,890	9,546	16,297	16,081
Income tax expense	3,145	3,221	5,736	5,571
NET INCOME	$ 5,745	$ 6,325	$ 10,561	$ 10,510
Net income per share:				
Basic	$ 0.25	$ 0.27	$ 0.47	$ 0.45
Diluted	$ 0.25	$ 0.26	$ 0.46	$ 0.43
Weighted average shares outstanding:				
Basic	22,578	23,558	22,557	23,446
Diluted	23,169	24,615	23,164	24,573

(1) Stock-based compensation included in above line items:

Operations and support	$ 333	$ 446	$ 634	$ 858
Sales and marketing	1,375	493	2,756	1,003
Technology	642	437	1,164	888
General and administrative	2,903	460	6,623	2,091
	$ 5,253	$ 1,836	$ 11,177	$ 4,840
Other Operational Data:				
Installed restaurants (at period end):				
North America	18,373	15,560	18,373	15,560
International	6,664	7,067	6,664	7,067

Total		25,037		22,627		25,037		22,627
Seated diners (in thousands):								
North America		28,038		22,196		55,754		43,066
International		2,244		1,618		4,498		3,171
Total		30,282		23,814		60,252		46,237
Headcount (at period end):								
North America		418		378		418		378
International		161		162		161		162
Total		579		540		579		540
Additional Financial Data:								
Revenues:								
North America	$	34,472	$	29,242	$	68,195	$	58,016
International		5,086		5,048		10,732		9,981
Total	$	39,558	$	34,290	$	78,927	$	67,997
Income (loss) from operations:								
North America	$	11,374	$	12,240	$	21,354	$	22,325
International		(2,497)		(2,718)		(5,087)		(6,289)
Total	$	8,877	$	9,522	$	16,267	$	16,036
Depreciation and amortization:								
North America	$	1,859	$	1,741	$	3,548	$	3,436
International		1,270		1,209		2,758		2,345
Total	$	3,129	$	2,950	$	6,306	$	5,781
Stock-based compensation:								
North America	$	4,791	$	862	$	10,226	$	2,881
International		462		974		951		1,959
Total	$	5,253	$	1,836	$	11,177	$	4,840

Table of Contents

	June 30, 2012	2011	June 30, 2012	2011
	(as a percentage of revenue)			
REVENUES	100%	100%	100%	100%
COSTS AND EXPENSES:				
Operations and support	26	28	26	28
Sales and marketing	22	19	22	21
Technology	9	10	9	11
General and administrative	21	15	22	16
Total costs and expenses	78	72	79	76
Income from operations	22	28	21	24
Other income, net				
Income before taxes	22	28	21	24
Income tax expense	8	9	8	8
NET INCOME	14%	19%	14%	16%

Revenues

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
Revenues by Type:						
Reservation	$ 22,311	$ 18,296	$ 44,638	$ 35,903	22%	24%
Subscription	13,927	12,562	27,467	24,580	11%	12%
Other	3,320	3,432	6,822	7,514	-3%	-9%
Total	$ 39,558	$ 34,290	$ 78,927	$ 67,997	15%	16%
Percentage of Revenues by Type:						
Reservation	57%	53%	56%	53%		
Subscription	35%	37%	35%	36%		
Other	8%	10%	9%	11%		
Total	100%	100%	100%	100%		
Revenues by Location:						
North America	$ 34,472	$ 29,242	$ 68,195	$ 58,016	18%	18%
International	5,086	5,048	10,732	9,981	1%	8%
Total	$ 39,558	$ 34,290	$ 78,927	$ 67,997	15%	16%
Percentage of Revenues by Location:						
North America	87%	85%	86%	85%		
International	13%	15%	14%	15%		
Total	100%	100%	100%	100%		

Total revenues increased $5.3 million, or 15%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 and $10.9 million, or 16%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Reservation revenues increased $4.0 million, or 22%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 and $8.7 million, or 24%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Reservation revenues increased as a result of the increase in seated diners. Subscription revenues increased $1.4 million, or 11%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 and $2.9 million, or 12%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Subscription revenues increased as a result of the increase in installed restaurants. Other revenues decreased $0.1 million, or 3%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 and $0.7 million, or 9%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily as a result of a decrease in third-party restaurant coupon sales, partially offset by an increase in online advertising.

Table of Contents

Costs and Expenses

Operations and Support

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
Operations and support	$ 10,338	$ 9,686	$ 20,858	$ 19,158	7%	9%
Headcount (at period end):						
North America	143	134	143	134	7%	7%
International	59	59	59	59	0%	0%
Total	202	193	202	193	5%	5%

Our operations and support expenses increased $0.7 million, or 7%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, and $1.7 million, or 9%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The increase in operations and support expense was primarily attributable to an increase of $0.5 million for the three months and $1.2 million for the six months in headcount-related costs, including stock-based compensation expense and an increase of $0.2 million for the three months and $0.5 million for the six months in cost at our outsourced customer support center. Also contributing to the increase was an increase of $0.2 million for the three months and $0.5 million for the six months in depreciation of capitalized website and software development costs and an increase of $0.1 million for the three months and $0.2 million for the six months in depreciation on restaurant hardware which were partially offset by a decrease of $0.1 million for the three months and $0.5 million for the six months in costs associated with third-party restaurant coupon sales.

Sales and Marketing

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
Sales and marketing	$ 8,483	$ 6,403	$ 17,343	$ 14,215	32%	22%
Headcount (at period end):						
North America	126	101	126	101	25%	25%
International	63	64	63	64	-2%	-2%
Total	189	165	189	165	15%	15%

Our sales and marketing expenses increased $2.1 million, or 32%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, and $3.1 million, or 22%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The increase in sales and marketing expenses for both the three and six month periods was primarily attributable to increases in headcount-related costs, including stock-based compensation expense.

Table of Contents

Technology

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
Technology	$ 3,610	$ 3,531	$ 6,858	$ 7,578	2%	-10%
Headcount (at period end):						
North America	85	90	85	90	-6%	-6%
International	18	16	18	16	13%	13%
Total	103	106	103	106	-3%	-3%

Our technology expenses increased $0.1 million, or 2%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, and decreased $0.7 million, or 10%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The decrease in technology expense was primarily attributable to a decrease of $0.1 million for the three months and $0.9 million for the six months in headcount-related costs, including stock-based compensation expense and an increase of $0.5 million for the three months and $1.5 million for the six months in capitalized website and software development costs.

General and Administrative

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
General and administrative	$ 8,250	$ 5,148	$ 17,601	$ 11,010	60%	60%
Headcount (at period end):						
North America	64	53	64	53	21%	21%
International	21	23	21	23	-9%	-9%
Total	85	76	85	76	12%	12%

Our general and administrative expenses increased $3.1 million, or 60%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, and $6.6 million, or 60%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The increase in general and administrative expenses was primarily attributable to an increase of $3.5 million for the three months and $6.3 million for the six months in headcount-related costs, including $2.4 million for the three months and $4.5 million for the six months in stock-based compensation expense. The increase in headcount-related costs also reflects a reduction of $0.7 million for the three months ended June 30, 2011 and $1.1 million for the six months ended June 30, 2011 in the contingent liability related to potential performance-based cash payments to the founder of Table Maestro, LLC.

Other Income, Net

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month	Six Month
	2012	2011	2012	2011	% Change	% Change
	(Dollars in thousands)					
Other income, net	$ 13	$ 24	$ 30	$ 45	-46%	-33%

Other income, net remained relatively consistent for the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011 and consisted primarily of interest income earned on cash, cash equivalents and short-term investments.

Table of Contents

Income Taxes

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Three Month % Change	Six Month % Change
	(Dollars in thousands)					
Income tax expense	$ 3,145	$ 3,221	$ 5,736	$ 5,571	-2%	3%

Income tax expense decreased $0.1 million, or 2%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, and increased $0.2 million, or 3%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The decrease in income tax expense for the three months ended June 30, 2012 compared to 2011 reflects the decrease in income before taxes, whereas the increase in income tax expense for the six months ended June 30, 2012 compare to 2011 reflects the increase in income before taxes. Our effective tax rate has remained relatively consistent between 34% and 35% for the three and six months ended June 30, 2012 and 2011.

Liquidity and Capital Resources

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in thousands)	
Condensed Consolidated Statements of Cash Flows Data:		
Purchases of property, equipment and software	$ 6,659	$ 4,652
Depreciation and amortization		
North America	$ 3,548	$ 3,436
International	2,758	2,345
Total depreciation and amortization	$ 6,306	$ 5,781
Cash provided by operating activities	$ 27,772	$ 25,371
Cash used in investing activities	$ (7,644)	$ (14,444)
Cash provided by financing activities	$ 974	$ 5,729

As of June 30, 2012, we had cash and cash equivalents of $57.5 million and short-term investments of $14.3 million. Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and U.S. government and agency securities. Short-term investments consist of U.S. government and agency securities, certificates of deposit, commercial paper and corporate bonds.

Amounts deposited with third-party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation, or SIPC, insurance limits, as applicable. These cash, cash equivalents and short-term investment balances could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurances that access to our invested cash, cash equivalents and short-term investments will not be impacted by adverse conditions in the financial markets.

We have a $5.0 million line of credit to fund working capital under which we had no amounts drawn down as of June 30, 2012. This line of credit expires in July 2013.

Prior to 2005, we financed our operations and capital expenditures through operations, private sales of preferred stock, lease financing and the use of bank-provided lines of credit and operations. Since 2005, we have been able to finance our operations, including international expansion, through cash from operating activities and proceeds from sales of our common stock, including the exercise of vested and unvested employee stock options. We had cash and cash equivalents of $57.5 million at June 30, 2012 and we believe we will have sufficient cash to support our operating activities and capital expenditures for at least the next twelve months.

Table of Contents

Operating Activities

For the six months ended June 30, 2012, operating activities provided $27.8 million in cash, primarily as a result of net income of $10.6 million, $11.2 million in stock-based compensation, $6.3 million in depreciation and amortization, and a $3.6 million increase in dining rewards payable.

For the six months ended June 30, 2011, operating activities provided $25.4 million in cash, primarily as a result of net income of $10.5 million, $4.8 million in stock-based compensation, $5.8 million in depreciation and amortization, and a $2.7 million increase in dining rewards payable.

Investing Activities

Our primary investing activities have consisted of purchases and maturities of short-term investments and purchases of property, equipment and software and the investment in business acquisitions. We expect to have ongoing capital expenditure requirements to support our growing restaurant installed base and other infrastructure needs. We expect to fund this investment with our existing cash, cash equivalents and short-term investments.

In addition to purchases of property, equipment and software, we purchased $1.0 million (net of sales) of short-term investments in the six months ended June 30, 2012 and purchased $10.0 million (net of sales) of short-term investments in the six months ended June 30, 2011.

Financing Activities

Our primary financing activities consist of proceeds from the issuance of common stock pursuant to equity incentive plans and the excess tax benefit related to stock-based compensation.

During the six months ended June 30, 2012, we repurchased $8.7 million of common shares under our share repurchase program, which concluded in January 2012.

Off Balance Sheet Arrangements

As of June 30, 2012, we did not have any off balance sheet arrangements.

Contractual Obligations

As of June 30, 2012, there were no significant changes to our contractual obligations.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate and foreign exchange risks.

Interest Rate Fluctuation Risk

We do not have any long-term borrowings.

Our investments include cash, cash equivalents and short-term investments. Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and U.S. government agency securities. Short-term investments consist of U.S. government agency securities, certificates of deposit, commercial paper and corporate bonds. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be materially affected to any degree by a sudden change in market interest rates.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. dollar, principally the British pound sterling, the euro, the Japanese yen, the Canadian dollar and the Mexican peso. We do not believe movements in the foreign currencies in which we transact will significantly affect future net earnings. Foreign currency risk can be quantified by estimating the change in cash flows resulting from a hypothetical 10% adverse change in foreign exchange rates. We believe such a change would not have a material impact on our results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2012. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2012, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of such matters will not have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors previously disclosed in Part 1, Item 1A of our 2011 Annual Report. The risks described in our 2011 Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

Exhibits

3.1 (1)	Amended and Restated Certificate of Incorporation of OpenTable, Inc.
3.2 (2)	Amended and Restated Bylaws of OpenTable, Inc.
10.1(3)	Offer Letter Agreement, dated June 8, 2012, by and between OpenTable, Inc. and Joseph Essas.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS (4)	XBRL Instance Document.
101.SCH (4)	XBRL Taxonomy Extension Schema Document.
101.CAL (4)	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (4)	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (4)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (4)	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Filed as Exhibit 3.3 to Amendment No. 4 to the Company s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on May 6, 2009, (File No. 333-157034), and incorporated herein by reference.

(2) Filed as Exhibit 3.5 to Amendment No. 4 to the Company s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on May 6, 2009, (File No. 333-157034), and incorporated herein by reference.

(3) Filed as Exhibit 99.1 to the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2012, and incorporated herein by reference.

(4) Pursuant to Rule 406T of SEC Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPENTABLE, INC.

/s/ I. DUNCAN ROBERTSON
I. Duncan Robertson
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Signatory)

Date: August 6, 2012

Table of Contents

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