

OPENTABLE INC  
Form 10-Q  
August 05, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from            to

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Commission File Number: 001-34357

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**OPENTABLE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**94-3374049**  
(I.R.S. Employer  
Identification No.)

**One Montgomery Street, 7th Floor, San Francisco,  
CA**  
(Address of Principal Executive Offices)

**94104**  
(Zip Code)

**(415) 344-4200**

(Registrant's Telephone Number, Including Area Code)

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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 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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(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 o No x

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As of August 2, 2013, 22,938,478 shares of the registrant's common stock were outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**OPENTABLE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 80,883,000	\$ 102,772,000
Short-term investments	11,087,000	733,000
Accounts receivable, net of allowance for doubtful accounts of \$1,505,000, and \$1,551,000 at June 30, 2013 and December 31, 2012	23,604,000	22,015,000
Prepaid expenses and other current assets	5,079,000	2,924,000
Deferred tax asset	16,506,000	14,353,000
<b>Total current assets</b>	<b>137,159,000</b>	<b>142,797,000</b>
Property, equipment and software, net	28,436,000	21,271,000
Goodwill	59,850,000	46,304,000
Intangible assets	17,830,000	15,226,000
Deferred tax asset	13,633,000	10,628,000
Other assets	941,000	1,021,000
<b>TOTAL ASSETS</b>	<b>\$ 257,849,000</b>	<b>\$ 237,247,000</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,328,000	\$ 2,985,000
Accrued expenses	5,772,000	10,862,000
Accrued compensation	5,502,000	5,167,000
Deferred revenue	2,345,000	1,563,000
Deferred tax liabilities	315,000	107,000
Dining rewards payable	32,766,000	27,611,000
<b>Total current liabilities</b>	<b>52,028,000</b>	<b>48,295,000</b>
Deferred revenue non-current	1,945,000	2,054,000

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Deferred tax liabilities	4,186,000	3,268,000
Income tax liabilities	15,369,000	15,639,000
Other long-term liabilities	3,413,000	76,000
Total liabilities	76,941,000	69,332,000
COMMITMENTS AND CONTINGENCIES (Note 5)		
STOCKHOLDERS EQUITY:		
Common stock, \$0.0001 par value 100,000,000 shares authorized; 24,842,194 and 24,419,627 shares issued, 22,917,719 and 22,898,107 shares outstanding at June 30, 2013 and December 31, 2012	2,000	2,000
Additional paid-in capital	236,273,000	211,408,000
Treasury stock, at cost (1,924,475 and 1,521,520 shares at June 30, 2013 and December 31, 2012)	(74,247,000)	(50,685,000)
Accumulated other comprehensive income (loss)	(2,906,000)	861,000
Retained earnings	21,786,000	6,329,000
Total stockholders equity	180,908,000	167,915,000
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 257,849,000	\$ 237,247,000

See notes to condensed consolidated financial statements (unaudited).

Table of Contents**OPENTABLE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
REVENUES	\$ 45,565,000	\$ 39,558,000	\$ 91,066,000	\$ 78,927,000
<b>COSTS AND EXPENSES:</b>				
Operations and support	11,458,000	10,338,000	22,821,000	20,858,000
Sales and marketing	8,955,000	8,483,000	19,457,000	17,343,000
Technology	4,611,000	3,610,000	9,111,000	6,858,000
General and administrative	7,471,000	8,250,000	16,690,000	17,601,000
Total costs and expenses	32,495,000	30,681,000	68,079,000	62,660,000
Income from operations	13,070,000	8,877,000	22,987,000	16,267,000
Other income, net	(2,000)	13,000	11,000	30,000
Income before taxes	13,068,000	8,890,000	22,998,000	16,297,000
Income tax expense	4,752,000	3,145,000	7,541,000	5,736,000
NET INCOME	\$ 8,316,000	\$ 5,745,000	\$ 15,457,000	\$ 10,561,000
Net income per share (See Note 7):				
Basic	\$ 0.36	\$ 0.25	\$ 0.68	\$ 0.47
Diluted	\$ 0.35	\$ 0.25	\$ 0.65	\$ 0.46
Weighted average shares outstanding:				
Basic	22,826,000	22,578,000	22,882,000	22,557,000
Diluted	23,747,000	23,169,000	23,772,000	23,164,000

See notes to condensed consolidated financial statements (unaudited).

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**OPENTABLE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net Income	\$ 8,316,000	\$ 5,745,000	\$ 15,457,000	\$ 10,561,000
Foreign currency translation gain (loss)	(230,000)	(1,465,000)	(3,765,000)	460,000
Unrealized loss on investments	(2,000)		(2,000)	(2,000)
Other comprehensive income (loss)	(232,000)	(1,465,000)	(3,767,000)	458,000
<b>COMPREHENSIVE INCOME</b>	<b>\$ 8,084,000</b>	<b>\$ 4,280,000</b>	<b>\$ 11,690,000</b>	<b>\$ 11,019,000</b>

See notes to condensed consolidated financial statements (unaudited).



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## OPENTABLE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2013	2012
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 15,457,000	\$ 10,561,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,544,000	4,357,000
Amortization of intangibles	2,116,000	1,949,000
Provision for doubtful accounts	1,532,000	1,154,000
Stock-based compensation	7,871,000	11,177,000
Write-off of property, equipment and software	371,000	181,000
Deferred taxes	(5,033,000)	(3,433,000)
Excess tax benefit related to stock compensation	(1,219,000)	(7,948,000)
Change in contingent liability		(21,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,078,000)	(1,102,000)
Prepaid expenses and other current assets	(2,926,000)	(778,000)
Accounts payable and accrued expenses	(4,222,000)	7,749,000
Accrued compensation	416,000	559,000
Deferred revenue	702,000	(128,000)
Long-term liabilities	1,948,000	(56,000)
Dining rewards payable	5,180,000	3,551,000
Net cash provided by operating activities	26,659,000	27,772,000
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, equipment and software	(10,135,000)	(6,659,000)
Purchases of investments	(11,811,000)	(10,315,000)
Sales and maturities of investments	1,392,000	9,330,000
Acquisition of businesses, net of cash acquired	(12,243,000)	
Net cash used in investing activities	(32,797,000)	(7,644,000)
<b>FINANCING ACTIVITIES:</b>		
Excess tax benefit related to stock-based compensation	1,219,000	7,948,000
Proceeds from issuance of common stock upon exercise of employee stock options	7,029,000	1,736,000
Repurchases of common stock	(23,562,000)	(8,710,000)
Net cash provided by (used in) financing activities	(15,314,000)	974,000
EFFECT OF EXCHANGE RATES ON CASH	(437,000)	(78,000)

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(21,889,000)		21,024,000
CASH AND CASH EQUIVALENTS	Beginning of period		102,772,000	36,519,000
CASH AND CASH EQUIVALENTS	End of period	\$	80,883,000	\$ 57,543,000

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**OPENTABLE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW INFORMATION:</b>		
Cash paid for income taxes	\$ 19,401,000	\$ 1,105,000
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Purchase of property, equipment and software recorded in accounts payable and accrued expenses	\$ 3,845,000	\$ 350,000
Issuance of common stock in connection with acquisition of a business	\$ 8,224,000	\$
Vesting of early exercised stock options	\$	\$ 1,000

See notes to condensed consolidated financial statements (unaudited).

(Concluded)

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**OPENTABLE, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**1. Organization and Description of Business**

OpenTable, Inc. (together with its subsidiaries, 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, ( 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's websites and mobile applications ( apps ) as well as the websites and mobile applications of OpenTable's partners and restaurant customers. For diners, the Company operates popular restaurant reservation websites and mobile apps. OpenTable's websites and mobile apps enable diners to find, choose and book tables at restaurants on the OpenTable network, 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 accurately forecast revenues and appropriately plan its expenses; the impact of the current economic climate on its business; the ability to maintain an adequate rate of growth; 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 mobile apps 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*

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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, 2012, as filed on February 26, 2013 with the SEC. The condensed consolidated balance sheet as of December 31, 2012, 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.

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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, 2013 and December 31, 2012, and the Company's results of operations for the three and six months ended June 30, 2013 and 2012, and its cash flows for the six months ended June 30, 2013 and 2012. The results for the three and six months ended June 30, 2013 are not necessarily indicative of the results to be expected for any future period. All references to June 30, 2013 or to the three or six months ended June 30, 2013 and 2012 in the notes to the condensed consolidated financial statements are unaudited.

*Acquisition of Foodspotting, Inc.*

In February 2013, the Company acquired all of the outstanding shares of capital stock of Foodspotting, Inc., a provider of a mobile app for finding and sharing photos of food, for a purchase price of approximately \$10,100,000 in cash. The Company recorded \$6,227,000 of goodwill and \$4,300,000 of developed technology which is being amortized over two years. The Company has included the effects of the transaction within the results of operations prospectively from February 6, 2013, the date of acquisition. Pro forma financial information for this business combination has not been presented, as the effects were not material to the Company's historical consolidated financial statements.

*Acquisition of JustChalo*

In June 2013, the Company acquired JustChalo Inc., a mobile technology company, for a purchase price of approximately \$11,000,000, of which approximately \$2,300,000 was paid in cash and the remainder through the issuance of 121,909 shares of common stock and an option to purchase 6,478 shares of common stock. The Company recorded \$9,644,000 of goodwill and \$1,200,000 of developed technology which is being amortized over two years. The Company has included the effects of the transaction within the results of operations prospectively from June 10, 2013, the date of acquisition. Pro forma financial information for this business combination has not been presented, as the effects were not material to the Company's historical consolidated financial statements.

*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*

As of June 30, 2013, the Company believes that there are no recently issued accounting pronouncements not yet effective that will have an impact on the Company's condensed consolidated financial statements.



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Short-term investments as of June 30, 2013 and December 31, 2012 are summarized as follows:

	Amortized Cost		Unrealized Gains		Unrealized Losses		Estimated Fair Market Value
<b>At June 30, 2013:</b>							
U.S. government and agency securities	\$ 9,715,000	\$	1,000	\$	(3,000)	\$	9,713,000
Certificates of deposit	1,374,000						1,374,000
Total	\$ 11,089,000	\$	1,000	\$	(3,000)	\$	11,087,000

	Amortized Cost		Unrealized Gains		Unrealized Losses		Estimated Fair Market Value
<b>At December 31, 2012:</b>							
Certificates of deposit	\$ 733,000	\$		\$		\$	733,000
Total	\$ 733,000	\$		\$		\$	733,000

As of June 30, 2013 and December 31, 2012, certain investments with a total estimated fair value of \$240,000 and \$487,000, respectively, had maturity dates of greater than one year but less than five years.

The following table represents the Company's fair value hierarchy for its financial assets:

	Aggregate Fair Value	June 30, 2013		Aggregate Fair Value	December 31, 2012	
		Level 1	Level 2		Level 1	Level 2
U.S. government and agency securities	\$ 9,713,000	\$	\$ 9,713,000	\$		\$
Certificates of deposit	1,374,000		1,374,000	733,000		733,000
Total short-term investments	\$ 11,087,000	\$	\$ 11,087,000	\$ 733,000	\$	\$ 733,000

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.



Table of Contents**4. Goodwill and Intangible Assets**

The following table summarizes the changes in the Company's goodwill by geographical reporting unit:

	North America	United Kingdom	Consolidated
Balance as of December 31, 2012	\$ 6,814,000	\$ 39,490,000	\$ 46,304,000
Goodwill related to acquisitions	15,871,000		15,871,000
Foreign exchange rate adjustment		(2,325,000)	(2,325,000)
<b>Total Goodwill as of June 30, 2013</b>	<b>\$ 22,685,000</b>	<b>\$ 37,165,000</b>	<b>\$ 59,850,000</b>

A summary of intangible assets as of June 30, 2013 and December 31, 2012 is as follows:

	Gross Carrying Value	June 30, 2013 Accumulated Amortization	Total	Gross Carrying Value	December 31, 2012 Accumulated Amortization	Total
Trademarks - finite life	\$ 132,000	\$ 92,000	\$ 40,000	\$ 132,000	\$ 77,000	\$ 55,000
Trademarks - indefinite life	11,571,000		11,571,000	12,294,000		12,294,000
Customer relationships	8,478,000	7,716,000	762,000	8,924,000	7,164,000	1,760,000
Developed technology	8,296,000	2,839,000	5,457,000	2,867,000	1,750,000	1,117,000
<b>Total intangible assets</b>	<b>\$ 28,477,000</b>	<b>\$ 10,647,000</b>	<b>\$ 17,830,000</b>	<b>\$ 24,217,000</b>	<b>\$ 8,991,000</b>	<b>\$ 15,226,000</b>

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives which range from one to four years. Amortization of intangible assets was \$1,170,000 and \$978,000 for the three months ended June 30, 2013 and 2012, respectively, and \$2,116,000 and \$1,949,000 for the six months ended June 30, 2013 and 2012, respectively. Based on the current amount of intangibles subject to amortization, estimated future annual amortization expense is as follows: 2013 (remainder): \$2,182,000; 2014: \$3,396,000; 2015: \$681,000. Intangible assets with indefinite lives are not amortized. Instead, they are reviewed for impairment annually, or whenever events or changes in circumstances indicate the carrying amount exceeds its fair value. The Company has defined its annual intangible impairment evaluation date as August 31. The Company performed its annual intangible impairment evaluation as of August 31, 2012 and determined that the carrying amount of the indefinite life intangible assets did not exceed the fair value. Additionally, there was no impairment of indefinite life intangible assets as of December 31, 2012 or June 30, 2013.

For the annual impairment analysis, goodwill is evaluated at the reporting unit level. The evaluation for impairment is performed by comparing the reporting unit's carrying amount of goodwill to the fair value of the reporting unit. If the carrying amount exceeds the reporting unit fair value, then the second step of the impairment test is performed to determine the amount of the impairment loss. The Company has defined its annual goodwill impairment evaluation date as August 31. The Company performed its annual goodwill impairment evaluation as of August 31, 2012 and determined that the carrying amount of goodwill did not exceed the fair value of either reporting units. Additionally, there was no impairment of goodwill as of December 31, 2012 or June 30, 2013.



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**5. Commitments and Contingencies**

*Contractual Obligations*

The Company leases its facilities under operating leases. These leases expire at various dates through 2020. 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.

In September 2012, the Company entered into a new lease for its primary office space in San Francisco, California, which expires in 2020. In connection with the lease, the property owner provided a lease inducement to the Company in the form of a \$2.4 million tenant improvement allowance. Construction was completed and the Company moved into the new office space in April 2013. The leasehold improvement asset and the lease incentive liability are being amortized on a straight-line basis over the term of the lease as depreciation expense and as an offset to rent expense, respectively.

*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 Company announced that the Board of Directors authorized the Company to purchase up to \$50 million of its outstanding common stock. During the three months ended March 31, 2012, the Company purchased 221,763 shares of stock for \$8,710,000 (including commissions) under this share repurchase program. This share repurchase program was completed in January 2012.

In August 2012, the Company announced that the Board of Directors authorized the Company to purchase up to an additional \$50 million of its outstanding common stock. During the six months ended June 30, 2013, the Company purchased 402,955 shares of stock for \$23,562,000 (including commissions) under this share repurchase program.

*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.

*Stock Options*

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

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The following table summarizes the assumptions relating to the Company's stock options for the three and six months ended June 30, 2013 and 2012, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Dividend yield	0%	0%	0%	0%	
Volatility	47.0%	52.9-54.7%	47.0-53.9%	52.0-54.7%	
Risk-free interest rate	1.15%-1.34%	0.82%-0.97%	1.02%-1.34%	0.82%-1.27%	
Expected term, in years	5.50-6.08	5.50-6.02	5.50-6.08	5.27-6.55	

The Company granted 100,453 and 132,351 stock options during the three months ended June 30, 2013 and 2012, respectively, and 131,971 and 1,210,909 stock options during the six months ended June 30, 2013 and 2012, respectively. The Company recorded stock-based compensation expense related to stock options of \$2,326,000 and \$4,984,000 for three months ended June 30, 2013 and 2012, respectively, and \$6,569,000 and \$9,899,000 for the six months ended June 30, 2013 and 2012, 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 81,412 and 89,573 RSUs during the three months ended June 30, 2013 and 2012, respectively, and 178,666 and 95,797 RSUs during the six months ended June 30, 2013 and 2012, respectively. The Company recorded stock-based compensation expense related to RSUs of \$952,000 and \$269,000 for the three months ended June 30, 2013 and 2012, respectively, and \$1,302,000 and \$1,278,000 for the six months ended June 30, 2013 and 2012, respectively.

### *Excess Tax Benefits*

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. For the three months ended June 30, 2013 and 2012, the Company recorded \$519,000 and \$4,995,000, respectively, of excess tax benefits from stock-based compensation and \$1,219,000 and \$7,948,000 of excess tax benefits from stock-based compensation, for the six months ended June 30, 2013 and 2012, respectively.

## **7. Net Income Per Share**

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The Company calculates net income per share in accordance with Topic 260 *Earnings per Share*.

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 such period. 98,000 shares were excluded from the dilutive shares outstanding for the three and six months ended June 30, 2012, as the performance criteria had not been met as of such date. In June 2013, all remaining non-vested performance-based awards were cancelled. As such, no such shares were included in the dilutive shares outstanding for the three and six months ended June 30, 2013.

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Anti-dilutive shares in the amounts of 218,000 and 1,271,000 were excluded from the dilutive shares outstanding for the three months ended June 30, 2013 and 2012, respectively. Anti-dilutive shares in the amounts of 238,000 and 1,407,000 were excluded from the dilutive shares outstanding for the six months ended June 30, 2013 and 2012, 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,	
	2013	2012	2013	2012
<i>Basic net income per common share calculation:</i>				
Net income	\$ 8,316,000	\$ 5,745,000	\$ 15,457,000	\$ 10,561,000
Basic weighted average common shares outstanding	22,826,000	22,578,000	22,882,000	22,557,000
Basic net income per share	\$ 0.36	\$ 0.25	\$ 0.68	\$ 0.47
<i>Diluted net income per common share calculation:</i>				
Net income	\$ 8,316,000	\$ 5,745,000	\$ 15,457,000	\$ 10,561,000
Weighted average shares used to compute basic net income per share	22,826,000	22,578,000	22,882,000	22,557,000
<i>Effect of potentially dilutive securities:</i>				
Employee stock options	795,000	542,000	768,000	563,000
Employee stock awards	126,000	49,000	122,000	44,000
Weighted average shares used to compute diluted net income per share	23,747,000	23,169,000	23,772,000	23,164,000
Diluted net income per share	\$ 0.35	\$ 0.25	\$ 0.65	\$ 0.46

### **8. Income Taxes**

During the three and six months ended June 30, 2013, the Company recorded income tax expense of \$4,752,000 and \$7,541,000, respectively, which resulted in an effective tax rate of 36% for the three months ended June 30, 2013 and 33% for the six months ended June 30, 2013. 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 period. 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, 2013) differed from the Company's recorded income tax provision primarily due to discrete items resulting from the reinstatement of the 2012 federal research and development tax credit in January 2013 and the expiration of a statute of limitation on previously filed returns and certain foreign provision to return true ups. The Company's effective tax rate for the three and six months ended June 30, 2013 is not necessarily indicative of the effective tax rate that may be expected for fiscal year 2013.

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, 2013 and December 31, 2012 were \$18,445,000 and \$18,362,000, respectively. As of June 30, 2013 and December 31, 2012, the Company recorded \$526,000 and \$777,000, respectively, of accrued interest. No significant penalties have been recorded to date.

**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 gain (loss) and the unrealized gain (loss) from investments.



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Accumulated other comprehensive loss of \$2,906,000 as of June 30, 2013 was comprised of \$2,904,000 of foreign currency translation losses and \$2,000 of unrealized losses on investments. Accumulated other comprehensive income of \$861,000 as of December 31, 2012 was comprised entirely of foreign currency translation gain.

**10. Segment Information**

The Company operates in one industry online restaurant reservations and guest management solutions. The Company has two reportable segments, as defined by Topic 280 *Segment Reporting*: North America and International. 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 for both segments. The Company does not allocate assets discretely by reportable segments, and reviews asset information on a global basis, not by segment.

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Summarized financial information concerning the reportable segments is as follows:

	North America Segment(1)	International Segment	Total Consolidated
<i>Three months ended June 30, 2013</i>			
Revenues reservations	\$ 23,752,000	\$ 3,933,000	\$ 27,685,000
Revenues subscription	13,298,000	1,755,000	15,053,000
Revenues other	2,676,000	151,000	2,827,000
Income (loss) from operations	14,835,000	(1,765,000)	13,070,000
Interest income	12,000		12,000
Depreciation and amortization expense	3,136,000	982,000	4,118,000
Purchases of property, equipment and software	4,977,000	497,000	5,474,000
<i>Three months ended June 30, 2012</i>			
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
<i>Six months ended June 30, 2013</i>			
Revenues reservations	\$ 47,244,000	\$ 7,498,000	\$ 54,742,000
Revenues subscription	26,188,000	3,547,000	29,735,000
Revenues other	5,739,000	850,000	6,589,000
Income (loss) from operations	27,811,000	(4,824,000)	22,987,000
Interest income	31,000		31,000
Depreciation and amortization expense	5,685,000	1,975,000	7,660,000
Purchases of property, equipment and software	9,276,000	859,000	10,135,000
<i>Six months ended June 30, 2012</i>			
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

(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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<i>Revenues:</i>				
United States	\$ 37,313,000	\$ 32,429,000	\$ 74,357,000	\$ 64,125,000
United Kingdom	4,410,000	3,902,000	9,065,000	8,429,000
International - all others	3,842,000	3,227,000	7,644,000	6,373,000
	\$ 45,565,000	\$ 39,558,000	\$ 91,066,000	\$ 78,927,000

	As of June 30, 2013	As of December 31, 2012
<i>Long-lived assets(1):</i>		
United States	\$ 24,074,000	\$ 16,308,000
United Kingdom	3,495,000	4,083,000
International - all others	1,395,000	1,454,000
Total long-lived assets	\$ 28,964,000	\$ 21,845,000

(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 July 31, 2013, the Company acquired certain assets and liabilities of the Rezbook business from Urbanspoon, an operating business of IAC / InterActiveCorp, for \$12 million in cash. Rezbook is a restaurant management system for restaurants. The Company is currently evaluating the purchase price allocation for this transaction. The Company expects to complete its initial purchase price allocation in the third quarter of 2013.



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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 2012 Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed on February 26, 2013 with the SEC (the "2012 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 expressions that 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 2012 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, as well as a number of related products and services. Our solutions for diners include our popular restaurant reservation websites and mobile applications, or apps. The OpenTable network includes approximately 28,000 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 more than 490 million diners through OpenTable reservations, and during the three months ended June 30, 2013, we seated an average of approximately 12.7 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, as applicable. 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, 2013 and 2012, our net revenues were \$45.6 million and \$39.6 million, respectively. For the six months ended June 30, 2013 and 2012, our net revenues were \$91.1 million and \$78.9 million, respectively. For the three months ended June 30, 2013 and 2012, our reservation revenues accounted for 61% and 57% of our total revenues, respectively, and 60% and 56% of total revenues for the six months ended June 30, 2013 and 2012, respectively. For the three and six months ended June 30, 2013 and 2012, our subscription revenues accounted for 33% and 35% of our total revenues, 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, 2013 and 2012 represented 13% of our total revenues,

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and for the six months ended June 30, 2013 and 2012, represented 13% and 14% 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.

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**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. 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. 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 Programs in our 2012 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 2012 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 online marketing, 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.



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***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, 2013, we recorded income tax expense of \$4.8 million and \$7.5 million, respectively, which resulted in an effective tax rate of 36% for the three months ended June 30, 2013 and 33% for the six months ended June 30, 2013. 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. The tax provision and the effective tax rate for the three and six months ended June 30, 2013 did not differ significantly from those of the same period ended June 30, 2012. Our effective tax rates for the three and six months ended June 30, 2013 are not necessarily indicative of the effective tax rate that may be expected for fiscal year 2013.

Factors that impact our income tax provision include, but are not limited to, recognition of federal and state 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.

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 Programs;
- Valuation of Long-Lived and Intangible Assets, Including Goodwill;

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- Website and Software Development Costs;
- Income Taxes; and
- Stock-based Compensation.

There have been no material changes to our critical accounting policies described in our 2012 Annual Report. For further information on our critical and other significant accounting policies, see our 2012 Annual Report.

### **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.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands, except per share amounts)				
REVENUES	\$ 45,565	\$ 39,558	\$ 91,066	\$ 78,927
<b>COSTS AND EXPENSES:</b>				
Operations and support (1)	11,458	10,338	22,821	20,858
Sales and marketing (1)	8,955	8,483	19,457	17,343
Technology (1)	4,611	3,610	9,111	6,858
General and administrative (1)	7,471	8,250	16,690	17,601
Total costs and expenses	32,495	30,681	68,079	62,660
Income from operations	13,070	8,877	22,987	16,267
Other income, net	(2)	13	11	30
Income before taxes	13,068	8,890	22,998	16,297
Income tax expense	4,752	3,145	7,541	5,736
NET INCOME	\$ 8,316	\$ 5,745	\$ 15,457	\$ 10,561
Net income per share:				
Basic	\$ 0.36	\$ 0.25	\$ 0.68	\$ 0.47
Diluted	\$ 0.35	\$ 0.25	\$ 0.65	\$ 0.46
Weighted average shares outstanding:				
Basic	22,826	22,578	22,882	22,557
Diluted	23,747	23,169	23,772	23,164
<hr/>				
(1) Stock-based compensation included in above line items:				
Operations and support	\$ 223	\$ 333	\$ 246	\$ 634
Sales and marketing	579	1,375	1,706	2,756
Technology	1,167	642	2,230	1,164
General and administrative	1,309	2,903	3,689	6,623
	\$ 3,278	\$ 5,253	\$ 7,871	\$ 11,177
<b>Other Operational Data:</b>				
Installed restaurants (at period end):				
North America	20,588	18,373	20,588	18,373
International	7,686	6,664	7,686	6,664
Total	28,274	25,037	28,274	25,037
Seated diners (in thousands):				
North America	34,955	28,038	69,223	55,754
International	3,271	2,244	6,359	4,498
Total	38,226	30,282	75,582	60,252
Headcount (at period end):				
North America	415	418	415	418
International	159	161	159	161
Total	574	579	574	579



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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands)				
<b>Additional Financial Data:</b>				
Revenues:				
North America				
Reservation	\$ 23,752	\$ 19,721	\$ 47,244	\$ 38,935
Subscription	13,298	12,265	26,188	24,165
Other	2,676	2,486	5,739	5,095
Total North America Revenues	\$ 39,726	\$ 34,472	\$ 79,171	\$ 68,195
International				
Reservation	\$ 3,933	\$ 2,590	\$ 7,498	\$ 5,703
Subscription	1,755	1,662	3,547	3,302
Other	151	834	850	1,727
Total International Revenues	5,839	5,086	11,895	10,732
Total Revenues	\$ 45,565	\$ 39,558	\$ 91,066	\$ 78,927
Income (loss) from operations:				
North America	\$ 14,835	\$ 11,374	\$ 27,811	\$ 21,354
International	(1,765)	(2,497)	(4,824)	(5,087)
Total	\$ 13,070	\$ 8,877	\$ 22,987	\$ 16,267
Depreciation and amortization:				
North America	\$ 3,136	\$ 1,859	\$ 5,685	\$ 3,548
International	982	1,270	1,975	2,758
Total	\$ 4,118	\$ 3,129	\$ 7,660	\$ 6,306
Stock-based compensation:				
North America	\$ 2,903	\$ 4,791	\$ 7,110	\$ 10,226
International	375	462	761	951
Total	\$ 3,278	\$ 5,253	\$ 7,871	\$ 11,177

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(as a percentage of revenue)				
REVENUES	100%	100%	100%	100%
COSTS AND EXPENSES:				
Operations and support	25	26	25	26
Sales and marketing	20	22	21	22
Technology	10	9	10	9
General and administrative	17	21	19	22
Total costs and expenses	72	78	75	79
Income from operations	28	22	25	21
Other income, net				
Income before taxes	28	22	25	21
Income tax expense	10	8	8	8
NET INCOME	18%	14%	17%	14%

**Segments**

We have identified two reportable segments: North America and International. In both segments, we derive revenue primarily from online reservations and guest management solutions. Total North America revenues increased from \$34.5 million for the three months ended June 30, 2012, to \$39.7 million for the three months ended June 30, 2013, and increased from \$68.2 million for the six months ended June 30, 2012 to \$79.2 million for the six months ended June 30, 2013. North America reservation revenues increased from \$19.7 million for the three months ended June 30, 2012, to \$23.8 million for the three months ended June 30, 2013, and increased from \$38.9 million for the six months ended June 30, 2012, to \$47.2 million for the six months ended June 30, 2013. North America reservation revenues increased as a

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result of an increase in seated diners. North America subscription revenues increased from \$12.3 million for the three months ended June 30, 2012, to \$13.3 million for the three months ended June 30, 2013, and increased from \$24.2 million for the six months ended June 30, 2012, to \$26.2 million for the six months ended June 30, 2013. North America subscription revenues increased as a result of an increase in installed restaurants. North America income from operations increased from \$11.4 million for the three months ended June 30, 2012, to \$14.8 million for the three months ended June 30, 2013, and increased from \$21.4 million for the six months ended June 30, 2012, to \$27.8 million for the six months ended June 30, 2013. The increase in income from operations is due to revenue increases exceeding the increase in expenses, due to operational efficiencies.

Total International revenues increased from \$5.1 million for the three months ended June 30, 2012, to \$5.8 million for the three months ended June 30, 2013, and increased from \$10.7 million for the six months ended June 30, 2012 to \$11.9 million for the six months ended June 30, 2013. International reservation revenues increased from \$2.6 million for the three months ended June 30, 2012, to \$3.9 million for the three months ended June 30, 2013, and increased from \$5.7 million for the six months ended June 30, 2012, to \$7.5 million for the six months ended June 30, 2013. International reservation revenues increased in the three months ended June 30, 2013 as a result of an increase in seated diners. International subscription revenues increased from \$1.7 million for the three months ended June 30, 2012, to \$1.8 million for the three months ended June 30, 2013, and increased from \$3.3 million for the six months ended June 30, 2012, to \$3.5 million for the six months ended June 30, 2013. International subscription revenues increased as a result of an increase in installed restaurants. International other revenues decreased from \$0.8 million for the three months ended June 30, 2012 to \$0.1 million for the three months ended June 30, 2013, and decreased from \$1.7 million for the six months ended June 30, 2012 to \$0.8 million for the six months ended June 30, 2013 due to a change in the pricing of our promotional products from flat rate to pay-for-performance. International loss from operations decreased from \$2.5 million for the three months ended June 30, 2012, to \$1.8 million for the three months ended June 30, 2013, and decreased from \$5.1 million for the six months ended June 30, 2012, to \$4.8 million for the six months ended June 30, 2013. For the three months ended June 30, 2013 compared to the same period in 2012, the decrease in the loss from operations is due primarily to increases in revenue. For the six months ended June 30, 2013 compared to the same period in 2012, the decrease in loss from operations is due to increases in revenue offset in part by increases in marketing spending, specifically the purchasing of pay per click marketing and an offline marketing campaign. Refer to Note 10 to the condensed consolidated financial statements for additional segment information.

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#### *Revenues*

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month % Change	Six Month % Change
	2013	2012	2013	2012		
(Dollars in thousands)						
<b>Revenues by Type:</b>						
Reservation	\$ 27,685	\$ 22,311	\$ 54,742	\$ 44,638	24%	23%
Subscription	15,053	13,927	29,735	27,467	8%	8%
Other	2,827	3,320	6,589	6,822	-15%	-3%
<b>Total</b>	<b>\$ 45,565</b>	<b>\$ 39,558</b>	<b>\$ 91,066</b>	<b>\$ 78,927</b>	<b>15%</b>	<b>15%</b>

#### **Percentage of Revenues by Type:**

Reservation	61%	57%	60%	56%
Subscription	33%	35%	33%	35%
Other	6%	8%	7%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### **Revenues by Location:**

North America	\$ 39,726	\$ 34,472	\$ 79,171	\$ 68,195	15%	16%
International	5,839	5,086	11,895	10,732	15%	11%
<b>Total</b>	<b>\$ 45,565</b>	<b>\$ 39,558</b>	<b>\$ 91,066</b>	<b>\$ 78,927</b>	<b>15%</b>	<b>15%</b>

#### **Percentage of Revenues by Location:**

North America	87%	87%	87%	86%
International	13%	13%	13%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Total revenues increased \$6.0 million, or 15%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$12.1 million, or 15%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. Reservation revenues increased \$5.4 million, or 24%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$10.1 million, or 23%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. Reservation revenues increased as a result of the increase in seated diners. Subscription revenues increased \$1.1 million, or 8%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$2.3 million, or 8%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. Subscription revenues increased as a result of the increase in installed restaurants. Other revenues decreased \$0.5 million, or 15%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$0.2 million, or 3%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012 primarily as a result of a decrease in promotional products in the U.K.

#### *Costs and Expenses*

#### *Operations and Support*

	Three Months Ended June 30,	Six Months Ended June 30,	Three Month	Six Month
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	2013	2012	2013	2012	% Change	% Change
	(Dollars in thousands)					
Operations and support	\$ 11,458	\$ 10,338	\$ 22,821	\$ 20,858	11%	9%
Headcount (at period end):						
North America	124	143	124	143	-13%	-13%
International	56	59	56	59	-5%	-5%
Total	180	202	180	202	-11%	-11%

Our operations and support expenses increased \$1.1 million, or 11%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012, and \$2.0 million, or 9%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The increase in operations and support expense was primarily attributable to an increase of \$0.7 million for the three month period and \$1.1 million for the six month period in depreciation expense, including amortization of capitalized website and software development costs, and an increase of \$0.2 million for the three and six month periods in amortization of intangibles.

Table of Contents*Sales and Marketing*

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month % Change	Six Month % Change
	2013	2012	2013	2012		
	(Dollars in thousands)					
Sales and marketing	\$ 8,955	\$ 8,483	\$ 19,457	\$ 17,343	6%	12%
Headcount (at period end):						
North America	119	126	119	126	-6%	-6%
International	58	63	58	63	-8%	-8%
Total	177	189	177	189	-6%	-6%

Our sales and marketing expenses increased \$0.5 million, or 6%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012, and \$2.1 million, or 12%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The increase in sales and marketing expenses for the three month period was primarily attributable to increases in online marketing expenses. The increase in sales and marketing expenses for the six month period was primarily attributable to an offline marketing campaign in the United Kingdom, in addition to increased spending for online marketing expenses. These increases were partially offset by decreases in headcount-related costs, including stock-based compensation expense.

*Technology*

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month % Change	Six Month % Change
	2013	2012	2013	2012		
	(Dollars in thousands)					
Technology	\$ 4,611	\$ 3,610	\$ 9,111	\$ 6,858	28%	33%
Headcount (at period end):						
North America	116	85	116	85	36%	36%
International	24	18	24	18	33%	33%
Total	140	103	140	103	36%	36%

Our technology expenses increased \$1.0 million, or 28%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$2.3 million, or 33%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The increase in technology expenses was primarily attributable to an increase of \$0.7 million for the three month period and \$1.7 million for the six month period in headcount-related costs, including stock-based compensation expense.

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*General and Administrative*

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month % Change	Six Month % Change
	2013	2012	2013	2012		
(Dollars in thousands)						
General and administrative	\$ 7,471	\$ 8,250	\$ 16,690	\$ 17,601	-9%	-5%
Headcount (at period end):						
North America	56	64	56	64	-13%	-13%
International	21	21	21	21	0%	0%
Total	77	85	77	85	-9%	-9%

Our general and administrative expenses decreased \$0.8 million, or 9%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012, and \$0.9 million, or 5%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The decrease in general and administrative expenses was primarily attributable to a decrease of \$1.6 million for the three months and \$2.3 million for the six months in headcount-related costs, including a decrease of \$1.6 million for the three months and \$2.9 million for the six months in stock-based compensation expense.

*Income Taxes*

	Three Months Ended June 30,		Six Months Ended June 30,		Three Month % Change	Six Month % Change
	2013	2012	2013	2012		
(Dollars in thousands)						
Income tax expense	\$ 4,752	\$ 3,145	\$ 7,541	\$ 5,736	51%	31%

Income tax expense increased \$1.6 million, or 51%, for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 and \$1.8 million, or 31%, for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The increase in income tax expense for the three and six months ended June 30, 2013 compared to the same periods in 2012 reflects the increase in income before taxes. Our effective tax rate has remained relatively consistent between 33% and 36% for the three and six months ended June 30, 2013 and 2012.

**Liquidity and Capital Resources**

	Six Months Ended June 30,	
	2013	2012
(in thousands)		
Condensed Consolidated Statements of Cash Flows Data:		
Purchases of property, equipment and software	\$ 10,135	\$ 6,659
Depreciation and amortization		

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North America	\$	5,685	\$	3,548
International		1,975		2,758
Total depreciation and amortization	\$	7,660	\$	6,306
Cash provided by operating activities	\$	26,659	\$	27,772
Cash used in investing activities	\$	(32,797)	\$	(7,644)
Cash provided by (used in) financing activities	\$	(15,314)	\$	974

As of June 30, 2013, we had cash and cash equivalents of \$80.9 million and short-term investments of \$11.1 million. 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 and agency securities and certificates of deposit.

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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 and cash equivalents and short-term investments 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 cash, cash equivalents or short-term investments; 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.

In January 2013, we entered into a credit agreement, which provides for a senior secured revolving credit facility of \$50.0 million to fund working capital and other general corporate purposes. This revolving credit facility expires in January 2016. The credit agreement includes various affirmative and negative covenants, including financial covenants. Failure to comply with these covenants could result in the obligation to repay all amounts then outstanding. The Company was in compliance with all covenants under this credit agreement during the quarter ended and at June 30, 2013. There were no amounts outstanding under this credit facility at June 30, 2013.

Our initial public offering in 2009 raised approximately \$34.6 million. Since then, we have been able to finance our operations, including international expansion, through cash from North America operating activities and proceeds from the exercise of employee stock options. We had cash and cash equivalents of \$80.9 million at June 30, 2013 and we believe we will have sufficient cash to support our operating activities and capital expenditures for at least the next twelve months.

**Operating Activities**

For the six months ended June 30, 2013, operating activities provided \$26.7 million in cash, primarily as a result of net income of \$15.5 million, \$7.9 million in stock-based compensation, \$7.7 million in depreciation and amortization, and a \$5.2 million increase in dining rewards payable, offset in part by a \$5.0 million decrease in deferred taxes.

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.

**Investing Activities**

Our primary investing activities have consisted of purchases, sales 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.

During the six months ended June 30, 2013, we paid \$10.1 million to acquire Foodspotting, Inc., and \$2.3 million in cash as partial consideration to acquire JustChalo, Inc. We also purchased \$10.1 million of property, equipment and software, net.

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In addition to purchases of property, equipment and software, we purchased \$10.4 million (net of sales and maturities) of short-term investments in the six months ended June 30, 2013 and purchased \$1.0 million (net of sales and maturities) of short-term investments in the six months ended June 30, 2012.

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**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, as well as repurchases of common stock, beginning in 2011, under our share repurchase programs.

During the six months ended June 30, 2013, we repurchased \$23.6 million of common shares (including commissions) under our share repurchase program announced in August 2012.

During the six months ended June 30, 2012, we repurchased \$8.7 million of common shares (including commissions) under our share repurchase program announced in November 2011, which concluded in January 2012.

**Off Balance Sheet Arrangements**

As of June 30, 2013, we did not have any off balance sheet arrangements.

**Contractual Obligations**

As of June 30, 2013, there were no significant changes to our contractual obligations.

**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.

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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 and certificates of deposit. 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, the Indian rupee 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.



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**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, 2013. 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, 2013, 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.

**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

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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.

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## 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 2012 Annual Report. The risks described in our 2012 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

**Issuer Purchases of Equity Securities**

Period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2013	April 30, 2013	161,055	\$ 57.61	161,055	\$ 32,404,426
May 1, 2013	May 31, 2013	104,400	\$ 57.19	104,400	\$ 26,434,183
June 1, 2013	June 30, 2013	0	\$ 0.00	0	\$ 26,434,183
<b>Total</b>		<b>265,455</b>	<b>\$ 57.44</b>	<b>265,455</b>	

(1) On August 6, 2012, we announced that our board of directors had approved a \$50.0 million share repurchase program, or Share Repurchase Program. As of June 30, 2013, we have purchased an aggregate of 403,255 shares pursuant to the Share Repurchase Program.

**Unregistered Sales of Equity Securities**

On June 10, 2013, we issued 121,909 shares of common stock as partial consideration for the acquisition of JustChalo Inc. The issuance was exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering. The recipients of the shares represented that they were accredited investors and that they were acquiring the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates.

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**Limitations on the Payment of Dividends**

Our current line of credit precludes the payment of dividends without the permission of the lender; see Note 7 to our Consolidated Financial Statements in our 2012 Annual Report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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.
- 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

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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 (3)	XBRL Instance Document.
101.SCH (3)	XBRL Taxonomy Extension Schema Document.
101.CAL (3)	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (3)	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (3)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (3)	XBRL Taxonomy Extension Presentation Linkbase Document.

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(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) 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.

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**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 5, 2013

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