CMGI INC
Form 424B3
August 11, 2004
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Filed pursuant to Rule 424(b)(3)

Registration No. 333-116417

PROSPECTUS

CMGI, INC.

56,690,643 Shares

Common Stock

This prospectus relates to the resale from time to time of up to 56,690,643 shares of our common stock issued by us to the selling stockholders identified in this prospectus in connection with our acquisition of Modus Media, Inc. on August 2, 2004. See Plan of Distribution for a description of the manner in which the shares of common stock may be offered and sold by the selling stockholders under this prospectus.

We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

CMGI common stock is quoted on the Nasdaq National Market under the trading symbol CMGI, and on August 10, 2004 its closing price was $1.42 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus is dated August 10 , 2004.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration or continuous offering process. Under this shelf registration process, the selling stockholders may from time to time sell the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the securities that the selling stockholders may offer. A selling stockholder may be required to provide you with a prospectus supplement containing specific information about the selling stockholder and the terms of the securities being offered. That prospectus supplement may include additional risk factors or other special considerations applicable to those securities. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading Where You Can Find More Information.

Unless we have indicated otherwise, references in this prospectus to CMGI, we, us and our or similar terms are to CMGI, Inc. and its consolidated subsidiaries, and references to Modus are to Modus Media, Inc. and its consolidated subsidiaries. References in this prospectus to $ are to the lawful currency of the United States.

WHERE YOU CAN FIND MORE INFORMATION

CMGI files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, statements or other information filed by CMGI at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC filings of CMGI are also available to the public from commercial document retrieval services and at the Web site maintained by the SEC at http://www.sec.gov.

CMGI has filed a registration statement on Form S-3 under the Securities Act to register the common stock offered by this prospectus. This prospectus does not contain all of the information included in the registration statement, the exhibits and the schedules to the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. We strongly encourage you to read carefully the registration statement and the exhibits and the schedules to the registration statement.

The SEC allows CMGI to incorporate by reference information into this prospectus. This means that CMGI can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus, except for any information that is superceded by information that is included directly in this prospectus or incorporated by reference subsequent to the date of this prospectus.

This prospectus incorporates by reference the documents listed below that CMGI has previously filed with the SEC. They contain important information about CMGI and its financial condition. The following documents, which were filed by CMGI with the SEC, are incorporated by reference into this prospectus:

annual report of CMGI on Form 10-K for the fiscal year ended July 31, 2003, filed with the SEC on October 20, 2003;

quarterly reports of CMGI on Form 10-Q for the fiscal quarters ended September 30, 2003 (filed with the SEC on December 12, 2003), January 31, 2004 (filed with the SEC on March 15, 2004) and April 30, 2004 (filed with the SEC on June 11, 2004);

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current reports of CMGI on Form 8-K filed with the SEC on September 30, 2003, December 8, 2003, March 8, 2004, March 24, 2004, June 10, 2004, and August 2, 2004; and

the description of CMGI s common stock contained in its registration statement on Form 8-A filed with the SEC on January 11, 1994, and any amendment or report filed with the SEC for the purpose of updating the description.

In addition, CMGI incorporates by reference additional documents that it may file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this prospectus and the earliest of (i) 330 days following the effective time of this registration statement, (ii) the date of final sale by persons covered by this registration statement of all the CMGI common stock registered on this registration statement, (iii) the date upon which all of the CMGI common stock registered on this registration statement is saleable without registration pursuant to Rule 145 under the Securities Act or (iv) upon termination of all of the limitations on the disposition of the shares of CMGI common stock set forth in the Stock Transfer Agreement, excluding, in each case, any information furnished pursuant to Item 9 or Item 12 (or, as of and after August 23, 2004, Item 7.01 or Item 2.02) of any current report on Form 8-K.

You can obtain any of the documents incorporated by reference into this prospectus through CMGI or from the SEC through the SEC s Internet Web site at the address described above. Documents incorporated by reference are available from CMGI without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit to this prospectus.

You may request a copy of information incorporated by reference into this prospectus by contacting the investor relations department of CMGI at:

CMGI, Inc.

1100 Winter Street

Waltham, Massachusetts 02451

(781) 663-5001

Attention: Investor Relations

YOU SHOULD RELY ONLY ON THE INFORMATION PROVIDED IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OR SOLICITING A PURCHASE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH THE OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR THE PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THE DOCUMENT.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements are based on estimates and assumptions made by our management and take into account only the information available at the time the forward-looking statements are made. Although we each believe our estimates and assumptions are and will be reasonable, forward-looking statements involve risks, uncertainties and other factors that could cause our actual results to differ materially from those suggested in the forward-looking statements. Forward-looking statements include the information concerning future financial performance, anticipated benefits of our acquisition of Modus, business strategy, projected plans and objectives of CMGI, prospective products, sales and marketing efforts, costs and expenses, liquidity, cost savings and the other forward-looking statements contained in this prospectus.

Forward-looking statements are subject to numerous risks and uncertainties. The following are some important factors that could cause our actual results to differ materially from those in forward-looking statements:

- general volatility of the capital markets and the market price of our common stock;
- Our ability to successfully integrate our supply chain business with Modus (including combining systems and supplier bases, maintaining Modus customers and retaining Modus key employees following our acquisition of Modus);
- changes in the United States, global or regional economic conditions which may affect sales of our products and services and increase costs associated with distribution;
- the degree and nature of our competition, including continued consolidation among our competitors and customers;
- changes in laws or regulations which may adversely affect our ability to compete;
- technological changes may be more difficult or expensive than anticipated; and
- other factors described in the section entitled RISK FACTORS.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward looking statements should be evaluated with the understanding of their inherent uncertainty.

Our actual results, performance or achievement could differ materially from those expressed in, or implied by, forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on our results of operations and financial condition. The forward-looking statements speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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THE COMPANY

We are a corporation organized and existing under the laws of the State of Delaware. Our principal executive office is located at 1100 Winter Street, Waltham, Massachusetts 02451, and our telephone number is (781) 663-5001. Our operating subsidiaries provide technology and e-commerce solutions that help businesses market, sell and distribute their products and services. These solutions include industry-leading global supply chain management and web-based distribution and fulfillment. In addition, our affiliated venture capital arm is comprised of venture capital funds that focus on investing in technology companies. We were incorporated in Delaware in 1986 and we previously operated under the name CMG Information Services, Inc.

Our business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on technology and supply chain management services, as well as the strategic investment in other companies that have demonstrated synergies with our core businesses. Our strategy also envisions and promotes opportunities for synergistic business relationships among our subsidiaries, investments and affiliates. We expect to continue to develop and refine our product and service offerings, and to continue to pursue developing, acquiring or investing in additional companies and technologies. Our recent acquisition of Modus Media is in keeping with our business strategy. In connection with our acquisition of Modus, we agreed to register for resale the shares received by the selling stockholders identified in this prospectus.

CMGI s current operating subsidiaries have been classified in one operating segment: eBusiness and Fulfillment. CMGI s eBusiness and Fulfillment companies work across the full eBusiness value chain to deliver goods from the manufacturer to the customer by applying state-of-the-art technology to provide inventory and supply chain management, and fulfillment services.

RISK FACTORS

In addition to the matters addressed in CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS, the information included in this prospectus and the other documents attached to or incorporated by reference into this prospectus, you should carefully consider the following risks before deciding whether to purchase shares of our common stock.

Risks Related to Our Acquisition of Modus

We may not realize all of the anticipated benefits of our acquisition of Modus.

The success of our acquisition of Modus will depend in part on our ability to realize the anticipated synergies and cost savings from integrating the businesses of Modus with our supply chain management businesses. Our success in realizing these benefits and the timing of this realization depend upon the successful integration of the technology, personnel and operations of Modus. The integration of two independent companies is a complex, costly and time-consuming process. The difficulties of combining the operations of the companies include, among others:

- retaining key employees;

retaining key customers;

consolidating corporate and administrative infrastructures;

maintaining customer service levels;

minimizing the diversion of management s attention from ongoing business concerns;

coordinating geographically disparate organizations;

effectively consolidating facilities;

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- coordinating and maintaining our supplier base with Modus supplier base; and
- consolidating and integrating information technology systems.

We cannot assure you that our integration of Modus supply chain management business will result in the realization of the full benefits that we anticipate in a timely manner or at all.

Our acquisition of Modus may harm our prospects for achieving profitability and deplete our working capital.

During the three and nine months ended April 30, 2004, we had an operating loss of approximately $6.5 million and $18.4 million, respectively. We anticipate that we will continue to incur significant operating expenses in the future, including significant costs of revenue and general and administrative expenses. We also have significant commitments and contingencies, including real estate leases, continuing stadium sponsorship obligations, and guarantees entered into by us and on behalf of our and current and former operating companies. As a result, we can give no assurance that we will achieve profitability or be capable of sustaining profitable operations. We may also use significant amounts of cash to fund growth and expansion of our operations, including through additional acquisitions. We may also incur significant costs and expenses in connection with pending and future litigation. At April 30, 2004, we had a consolidated cash, cash equivalents and marketable securities balance of approximately $260.2 million and fixed contractual obligations of $82.9 million. Our acquisition of Modus required us to repay net Modus indebtedness of approximately $71 million, which reduced our available cash reserves. If we are unable to reach and sustain profitability, we risk depleting our working capital balances and our business will be materially adversely affected.

Risks Related to Our Business

We derive substantially all of our revenue from a small number of customers and adverse industry trends or the loss of any of those customers could significantly damage our business.

Prior to our acquisition of Modus, we derived substantially all of our revenue from the supply chain management services provided by our wholly-owned subsidiary SalesLink Corporation (SalesLink). Our business and future growth will continue to depend in large part on the industry trend towards outsourcing supply chain management and other business processes. If this trend does not continue or declines, demand for our supply chain management services would decline and our financial results could suffer.

In addition, both SL Supply Chain Services International Corp. (SL Supply Chain), a wholly-owned subsidiary of SalesLink, and Modus have been designated as authorized replicators for Microsoft. Such designation provides these companies with licenses to replicate Microsoft software products and documentation for their customers who want to bundle licensed software with their hardware products. These agreements typically have terms of limited duration, up to 12 months. A failure to maintain authorized replicator status could result in a reduction in our business and our revenues.

In addition, for the year ended December 31, 2003, five end customers accounted for approximately 44% of Modus net revenues. For the nine months ended April 30, 2004, one customer, Hewlett-Packard accounted for approximately 72% of CMGI s consolidated net revenue. In addition, nearly all the revenues of SalesLink and SL Supply Chain are accounted for by sales to a limited number of customers, especially Hewlett-Packard and Microsoft, and sales of Microsoft products. The loss of any one or more of these customers would cause our revenues to decline, perhaps below expectations. We currently do not have any agreements which obligate any customer to buy a minimum amount of products or services. We do not currently have any agreements which designate us as the sole supplier of any particular products or services. The loss of a significant amount of business with Hewlett-Packard, Microsoft or any other key customers would have a material adverse effect on our business. We continue to derive the vast majority of our operating revenue from sales to a small number of key customers. There can be no assurance that our revenue from key customers will not decline in future periods.

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We may have problems raising the money we need in the future.

We have generally financed our operations and growth through the selective sale of investments or minority or majority interests in subsidiaries or affiliates to outside investors. Market and other conditions largely beyond our control may affect our ability to engage in future sales of such securities, the timing of any such sales, and the amount of proceeds therefrom. Even if we are able to sell any such securities in the future, we may not be able to sell at favorable prices or on favorable terms. In addition, this funding source may not be sufficient in the future, and we may need to obtain funding from outside sources. However, we may not be able to obtain funding from outside sources. In addition, even if we find outside funding sources, we may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of our common stock. We may also be required to take other actions, which may lessen the value of our common stock or dilute our common stockholders, including borrowing money on terms that are not favorable to us or issuing additional shares of common stock. If we experience difficulties raising money in the future, our business could be materially adversely affected.

A decline in the technology sector could reduce our revenues.

A large portion of our supply chain management revenue comes from customers in the technology sector, which is intensely competitive and very volatile. Declines in the overall performance of the technology sector have in the past and could in the future adversely affect the demand for supply chain management services and reduce our revenues and profitability from such customers.

The gross margins in the supply chain management business are low, which magnifies the impact of variations in revenue and operating costs on our financial results.

As a result of intense price competition in the technology products marketplace, the gross margins in our supply chain management business are low, and we expect them to continue to be low in the future. Following our acquisition of Modus, increased competition arising from industry consolidation and/or low demand for certain products may hinder our ability to maintain or improve our gross margins. In addition, there may be additional pressure following our acquisition of Modus with respect to overlapping customers that may seek to reduce pricing to the lower of the pre-acquisition pricing of CMGI and Modus. These low gross margins magnify the impact of variations in revenue and operating costs on our financial results. Portions of our operating expenses are relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins. We may also be required to spend money to restructure our operations should future demand fall significantly in any one facility. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

Because we frequently sell to supply chain management customers on a purchase order basis, we are subject to uncertainties and variability in demand by customers, which could decrease revenue and adversely affect our financial results.

We frequently sell to our supply chain management customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our supply chain management customers. The level and timing of orders placed by these customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our supply chain management customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which may harm our business, financial position and operating results.

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We are required to maintain adequate levels of inventory in our supply chain management business in order to meet customer needs, which presents risks to our financial position and operating results.

We are often required to purchase and maintain adequate levels of inventory in our supply chain management business in order to meet customer needs rapidly and on a timely basis. We are often required to finance the purchase of products or components that are necessary to fulfill customer orders. The technology sector served by our customers is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Our customers offer limited protection, if any, from the loss in value of inventory. In addition, our customers may become unable or unwilling to fulfill such protection obligations. The decrease or elimination of price protection or the inability of our customers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our customers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write-downs, which may harm our business, financial position and operating results. In addition, we may not be able to recover fully the credit costs we would face with the financing of inventory.

The ability of our operating companies to obtain particular products or components in the required quantities and to fulfill customer orders on a timely basis is critical to our success. In most cases, our operating companies have no guaranteed price or delivery agreements with our respective suppliers. Our operating companies may occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by their suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Accordingly, if we are not able to secure and maintain an adequate supply of products or components to fulfill our customer orders on a timely basis, our business, financial position and operating results may be adversely affected.

Our failure to meet customer expectations could result in lost revenues, increased expenses and negative publicity.

Our supply chain management customers face significant uncertainties in forecasting the demand for their products. Limitations on the size of facilities, number of personnel and availability of materials could make it difficult for our operating companies to meet customers unforecasted demand for additional production. Any failure to meet customers specifications, capacity requirements or expectations could result in lost revenue, lower client satisfaction, negative perceptions in the marketplace and potential claims for damages.

If we are not able to establish customer sites where requested, or if we fail to retain key customers at established sites, our customer relationships, revenue and expenses could be seriously harmed.

Our supply chain management customers have, at times, requested that we add capacity or open a facility in locations near their sites. If we elect not to add required capacity at sites near existing customers or establish sites near existing or potential customers, customers may decide to seek alternate service providers. In addition, if we lose a significant customer of a particular site or open a site with the expectation of business that does not materialize, operations at that site could become unprofitable or significantly less efficient. Any of these events could have a material adverse effect on the business, expenses and revenues of CMGI or of our operating companies.

Our continued expansion of the global operations is subject to special risks and costs.

We maintain operations outside of the United States, and we will likely expand these operations. This international expansion will require significant management attention and financial resources. Our operations are and will continue to be subject to numerous and varied regulations worldwide, some of which may have an adverse effect on our ability to develop our international operations in accordance with our business plans or on a timely basis.

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We are subject to risks of operating internationally.

Our success depends, in part, on our ability to manage and expand our international operations. Failure to expand our international sales and fulfillment activities could limit our ability to grow.

With the completion of the Modus acquisition, we currently conduct business in Mexico, China, Taiwan, Singapore, Ireland, France, The Netherlands and certain other foreign locations, in addition to our United States operations. Prior to our acquisition of Modus, sales outside the United States accounted for 37%, 11% and 13% of CMGI s total revenue for fiscal 2003, 2002, and 2001, respectively, and sales outside the United States accounted for 68%, 66% and 60% of Modus total revenue for fiscal 2003, 2002, and 2001, respectively. There are certain risks inherent in conducting international operations, including:

- added fulfillment complexities in operations, including multiple languages, currencies, bills of materials and stock keeping units;
- exposure to currency fluctuations and repatriation complexities and delays;
- longer payment cycles;
- greater difficulties in accounts receivable collections;
- the complexity of ensuring compliance with multiple U.S. and foreign laws, particularly differing laws on intellectual property rights and export control; and
- labor practices, difficulties in staffing and managing foreign operations, political instability and potentially adverse tax consequences.

In addition, a substantial portion of our business is now conducted in China, where we face additional risks, including the following:

- the challenge of navigating a complex set of licensing requirements and restrictions affecting the conduct of business in China by foreign companies;
- difficulties and limitations on the repatriation of cash;
- currency fluctuation and exchange rate risks;
- protection of intellectual property, both for us and our customers; and
- difficulty retaining management personnel and skilled employees.

If we are unable to manage these risks following the merger, we may face significant liability, our international sales may decline and our financial results may be adversely affected.

International laws and regulations may result in unanticipated costs and litigation.

Our international operations will increase our exposure to international laws and regulations. Noncompliance with foreign laws and regulations, which are often complex and subject to variation and unexpected changes, could result in unexpected costs and potential litigation. For example, the governments of foreign countries might attempt to regulate our products and services or levy sales or other taxes relating to our activities. In addition, foreign countries may impose tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers, any of which could make it more difficult to conduct our business.

We depend on third-party software, systems and services.

We rely on products and services of third-party providers in our business operations. There can be no assurance that we will not experience operational problems attributable to the installation, implementation, integration, performance, features or functionality of such third-party software, systems and services. Any interruption in the availability or usage of the products and services provided by third parties could have a material adverse effect on our business or operations.

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We depend on certain important employees, and the loss of any of those employees may harm our business.

Our performance is substantially dependent on the performance of our executive officers and other key employees, as well as management of our operating companies. The familiarity of these individuals with technology and service related industries makes them especially critical to our success following our acquisition of Modus. In addition, our success is dependent on our ability to attract, train, retain and motivate high quality personnel, especially for our operating companies management teams. Competition for such personnel is intense. The loss of the services of any of our executive officers or key employees may harm our business.

There may be conflicts of interest among CMGI, CMGI s subsidiaries, and their respective officers, directors and stockholders.

Some of CMGI s officers and directors also serve as officers or directors of one or more of CMGI s subsidiaries. In addition, David S. Wetherell, CMGI s Chairman of the Board, has significant compensatory interests in certain of CMGI s @Ventures venture capital affiliates. As a result, CMGI, CMGI s officers and directors, and CMGI s subsidiaries and venture capital affiliates may face potential conflicts of interest with each other and with stockholders. Specifically, CMGI s officers and directors may be presented with situations in their capacity as officers, directors or management of one of CMGI s subsidiaries and venture capital affiliates that conflict with their fiduciary obligations as officers or directors of CMGI or of another subsidiary or affiliate.

Our strategy of expanding our business through acquisitions of other businesses and technologies presents special risks.

We intend to continue to expand our business in certain areas through the acquisition of businesses, technologies, products and services from other businesses. Acquisitions involve a number of special problems, including:

- the need to incur additional indebtedness, issue stock or use cash in order to consummate the acquisition;
- difficulty integrating acquired technologies, operations and personnel with the existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits; and

potential issuance of securities in connection with an acquisition with rights that are superior to the rights of holders of our common stock, or which may have a dilutive effect on our common stockholders.

We may not be able to successfully address these problems. Moreover, our future operating results will depend to a significant degree on our ability to successfully integrate acquisitions and manage operations while also controlling expenses and cash burn.

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Our quarterly results may fluctuate significantly.

Our operating results have fluctuated widely on a quarterly basis during the last several years, and we expect to experience significant fluctuations in future quarterly operating results. Many factors, some of which are beyond our control, have contributed to these quarterly fluctuations in the past and may continue to do so. Such factors include:

- demand for our products and services;
- timing of new product introductions or software releases by our customers or their competitors;
- payment of costs associated with our acquisitions, sales of assets and investments;
- timing of sales of assets and marketable securities;
- market acceptance of new products and services;
- seasonality;
- temporary shortages in supply from vendors;
- charges for impairment of long-lived assets in future periods;
- potential restructuring charges in connection with our continuing restructuring efforts;
- political instability or natural disasters in the countries in which we operate;
- specific economic conditions in the industries in which we compete; and
- general economic conditions.

We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and should not be relied upon as indicative of our future performance. It is also possible that in some fiscal quarters, our operating results will be below the expectations of securities analysts and investors. In such circumstances, the price of our common stock may decline.

The price of our common stock has been volatile and may fluctuate based on the value of our assets.

The market price of our common stock has been and is likely to continue to be volatile. In recent years, the stock market has experienced significant price and volume fluctuations, which have particularly impacted the market prices of equity securities of many companies providing technology-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. Future market movements may adversely affect the market price of our common stock. In addition, should the market price of our common stock be below $1.00 per share for an extended period, we risk Nasdaq delisting, which would have an adverse effect on our business and on the trading of our common stock. In order to maintain compliance with Nasdaq listing standards, we may consider several strategies, including without limitation a reverse stock split.

In addition, a portion of our assets includes the equity securities of both publicly traded and privately held companies. The market price and valuations of the securities that we hold may fluctuate due to market conditions and other conditions over which we have no control. Fluctuations in the market price and valuations of the securities that we hold in other companies may result in fluctuations of the market price of our common stock and may reduce the amount of working capital available to us.

We will continue to be subject to intense competition.

The markets for our products and services are highly competitive and often lack significant barriers to entry, enabling new businesses to enter these markets relatively easily. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with our products and services. The market for supply chain management products and services is very competitive, and the intensity of the competition is expected to continue to increase. Any failure to maintain and enhance our competitive position and the competitive position of our operating companies would limit our ability to maintain and increase market share, which would result in serious harm to our business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. In addition, many of our current and potential competitors will continue to have greater financial, technical, operational and marketing resources than those of CMGI and our operating companies. We may not be able to compete successfully against these competitors. Competitive pressures may also force prices for supply chain management products and services down and such price reductions may reduce our revenues.

To succeed, we must respond to the rapid changes in the technology sector.

The markets for our technology-related products and services are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and
- changing customer demands.

Our success will depend on our ability to adapt to this rapidly evolving marketplace. We may not be able to adequately adapt our products and services or to acquire new products and services that can compete successfully. In addition, we may not be able to establish and maintain effective distribution channels.

We could be subject to infringement claims and other liabilities.

From time to time, we have been, and will continue to be, subject to third-party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights. Any such claims may damage our business by:

- subjecting us to significant liability for damages;
- resulting in invalidation of our proprietary rights;
- resulting in costly license fees in order to settle such claims;

- being time-consuming and expensive to defend even if such claims are not meritorious; and
- resulting in the diversion of our management s time and attention.

The intellectual property of our supply chain management customers may be damaged, misappropriated, stolen or lost while in our possession, subjecting us to litigation and other adverse consequences.

In the course of providing supply chain management services to our customers, we and our operating companies have possession of or access to certain intellectual property of such customers, including databases, software masters, certificates of authenticity and similar valuable intellectual property. In the event such intellectual property is damaged, misappropriated, stolen or lost, we could suffer:

- claims under indemnification provisions in customer agreements or other liability for damages;
- delayed or lost revenue due to adverse customer reaction;
- negative publicity; and
- litigation that could be costly and time consuming.

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USE OF PROCEEDS

The selling stockholders will receive all of the net proceeds from the sale of the shares of CMGI common stock covered by this prospectus. We will not receive any of the proceeds from the resale of any of these securities.

The selling stockholders will pay any underwriting fees or discounts, and any fees and expenses of counsel retained by them, incurred in connection with the resale of the shares covered by this prospectus. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including fees and expenses of our counsel and accountants.

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SELLING STOCKHOLDERS

The shares offered pursuant to this prospectus were acquired by the selling stockholders listed below in connection with our acquisition of Modus on August 2, 2004 pursuant to that certain agreement and plan of merger by and among CMGI, Inc., Westwood Acquisition Corp. and Modus dated as of March 23, 2004. As required in the merger agreement, this registration statement registers the resale of shares of CMGI common stock issued in the merger to Modus stockholders who are parties to the stock transfer agreement, as well as the stockholder representative under the escrow agreement entered into on August 2, 2004 in connection with the merger.

This prospectus covers the resale of up to 56,690,643 shares of CMGI common stock held by the selling stockholders immediately following our acquisition of Modus. The following table sets forth the names of the selling stockholders, the number of shares and percentage of shares of CMGI common stock that the selling stockholders owned prior to the offering for resale of any of the shares of CMGI common stock being registered hereby, the maximum number of shares of CMGI common stock that may be offered for resale for the account of the selling stockholders pursuant to this prospectus and the percentage of shares of CMGI common stock to be held by the selling stockholders after the offering of the shares available for resale (assuming all of the shares offered for resale are sold by the selling stockholders).

			Percentage of Shares of CMGI Common Stock Owned(4)	
Selling Stockholders(1)	Number of Shares of CMGI Common Stock Owned Before the Offering(2)	Number of Shares of CMGI Common Stock to be Resold in the Offering(3)	Before Offering of the Resale Shares	After Offering of the Resale Shares(5)
Timothy M. Adams	591,913	167,523	*	*
Bain Capital Fund IV, L.P.	11,059,221	11,059,221	2.4%	
Bain Capital Partners V, L.P.	7,694,938	7,694,938	1.6%	
BankAmerica Investment Corp.	4,022,991	4,018,257	*	*
BCIP Associates	641,116	641,116	*	
BCIP Trust Associates, L.P.	380,700	380,700	*	
BCIP Trust Associates II	3,942	3,942	*	
BCIP Trust Associates II-B	1,244	1,244	*	
BCM Capital Partners, L.P.	518,967	518,967	*	
Canpartners Investments IV, LLC	1,834,552	1,834,552	*	
Rory J. Cowan	1,531,150	1,531,150	*	
Robert T. Dechant	893,454	446,727	*	*
Enterprise Associates, LLC	1,977,149	1,977,149	*	
Sheila M. Flaherty	524,902	113,916	*	*
Fleet National Bank, as Trustee of Abegail L. Moore Trust dated June 5, 1996	238,900	238,900	*	
Fleet National Bank, as Trustee of Alexander S. Moore Trust dated June 5, 1996	238,905	238,905	*	
Harding Holdings, Inc.	2,288,601	2,288,601	*	
Information Partners	389,331	389,331	*	
J.P. Morgan Partners (BHCA), L.P. (f/k/a Chase Equity Associates, L.P.)	5,999,666	5,999,666	1.3%	
Deborah Keeman	203,144	35,622	*	*
Linwood A. Lacy, Jr.	617,151	464,594	*	*
Terence M. Leahy	3,894,766	1,395,370	*	*
Stephen D.R. Moore	1,257,979	1,257,979	*	
R. Scott Murray	2,509,994	2,509,994	*	

OCM Mezzanine Fund, L.P.	1,926,779	1,926,779	*
Morton H. Rosenthal	6,212,930(6)	6,212,930(6)	1.3%
Sankaty Credit Opportunities, L.P.	174,719	174,719	*
Sankaty High Yield Partners II, L.P.			