

OPENTABLE INC  
Form 10-Q  
May 03, 2012  
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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 March 31, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34357

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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)  
**799 Market Street, 4th Floor, San Francisco, CA**  
(Address of Principal Executive Offices)

**94-3374049**  
(I.R.S. Employer  
Identification No.)  
**94103**  
(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  No

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  No

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  No

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As of April 30, 2012, 22,568,389 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)

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 44,564,000	\$ 36,519,000
Short-term investments	13,165,000	13,411,000
Accounts receivable, net of allowance for doubtful accounts of \$1,277,000, and \$1,315,000 at March 31, 2012 and December 31, 2011	18,821,000	18,795,000
Prepaid expenses and other current assets	2,736,000	2,708,000
Deferred tax asset	11,121,000	11,238,000
<b>Total current assets</b>	<b>90,407,000</b>	<b>82,671,000</b>
Property, equipment and software, net	17,488,000	16,150,000
Goodwill	43,616,000	42,312,000
Intangibles, net	15,962,000	16,403,000
Deferred tax asset	6,909,000	5,466,000
Other assets	788,000	813,000
<b>TOTAL ASSETS</b>	<b>\$ 175,170,000</b>	<b>\$ 163,815,000</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,903,000	\$ 2,210,000
Accrued expenses	4,502,000	4,794,000
Accrued compensation	4,757,000	4,518,000
Deferred revenue	1,908,000	1,752,000
Dining rewards payable	22,647,000	20,827,000
<b>Total current liabilities</b>	<b>36,717,000</b>	<b>34,101,000</b>
Deferred revenue non-current	2,114,000	2,249,000
Deferred tax liability	3,867,000	3,915,000

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Income tax liability	13,810,000	13,215,000
Other long-term liabilities	68,000	108,000
<b>Total liabilities</b>	<b>56,576,000</b>	<b>53,588,000</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Common stock, \$0.0001 par value 100,000,000 shares authorized; 24,083,607 and 24,009,404 shares issued, 22,562,387 and 22,709,857 shares outstanding at March 31, 2012 and December 31, 2011	2,000	2,000
Additional paid-in capital	181,803,000	171,465,000
Treasury stock, at cost (1,521,220 and 1,299,547 shares at March 31, 2012 and December 31, 2011)	(50,673,000)	(41,963,000)
Accumulated other comprehensive income (loss)	289,000	(1,634,000)
Accumulated deficit	(12,827,000)	(17,643,000)
<b>Total stockholders equity</b>	<b>118,594,000</b>	<b>110,227,000</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 175,170,000</b>	<b>\$ 163,815,000</b>

See notes to condensed consolidated financial statements (unaudited).

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

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>	\$ 39,369,000	\$ 33,707,000
<b>COSTS AND EXPENSES:</b>		
Operations and support	10,519,000	9,472,000
Sales and marketing	8,860,000	7,812,000
Technology	3,248,000	4,047,000
General and administrative	9,351,000	5,862,000
<b>Total costs and expenses</b>	<b>31,978,000</b>	<b>27,193,000</b>
<b>Income from operations</b>	<b>7,391,000</b>	<b>6,514,000</b>
<b>Other income, net</b>	<b>17,000</b>	<b>21,000</b>
<b>Income before taxes</b>	<b>7,408,000</b>	<b>6,535,000</b>
<b>Income tax expense</b>	<b>2,592,000</b>	<b>2,350,000</b>
<b>NET INCOME</b>	<b>\$ 4,816,000</b>	<b>\$ 4,185,000</b>
<b>Net income per share (See Note 7):</b>		
Basic	\$ 0.21	\$ 0.18
Diluted	\$ 0.21	\$ 0.17
<b>Weighted average shares outstanding:</b>		
Basic	22,536,000	23,332,000
Diluted	23,174,000	24,530,000

See notes to condensed consolidated financial statements (unaudited).

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**OPENTABLE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net Income	\$ 4,816,000	\$ 4,185,000
Foreign currency translation gain	1,925,000	2,084,000
Unrealized loss on investments	(2,000)	
Other comprehensive gain	1,923,000	2,084,000
<b>COMPREHENSIVE INCOME</b>	<b>\$ 6,739,000</b>	<b>\$ 6,269,000</b>

See notes to condensed consolidated financial statements (unaudited).



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## OPENTABLE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 4,816,000	\$ 4,185,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,206,000	1,843,000
Amortization of intangibles	971,000	988,000
Provision for doubtful accounts	563,000	413,000
Stock-based compensation	5,924,000	3,004,000
Write-off of property, equipment and software	85,000	489,000
Deferred taxes	(1,278,000)	
Excess tax benefit related to stock compensation	(2,953,000)	(336,000)
Change in contingent liability	(21,000)	427,000
Changes in operating assets and liabilities:		
Accounts receivable	(488,000)	(1,725,000)
Prepaid expenses and other current assets	23,000	218,000
Accounts payable and accrued expenses	3,572,000	142,000
Accrued compensation	234,000	422,000
Deferred revenue	10,000	9,000
Long-term liabilities	354,000	1,096,000
Dining rewards payable	1,814,000	1,159,000
Net cash provided by operating activities	15,832,000	12,334,000
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, equipment and software	(3,650,000)	(2,218,000)
Purchases of investments	(6,984,000)	(13,458,000)
Sales of investments	7,215,000	4,980,000
Net cash used in investing activities	(3,419,000)	(10,696,000)
<b>FINANCING ACTIVITIES:</b>		
Excess tax benefit related to stock-based compensation	2,953,000	336,000
Proceeds from issuance of common stock upon exercise of employee stock options	1,307,000	2,375,000
Repurchases of common stock	(8,710,000)	
Net cash provided by (used in) financing activities	(4,450,000)	2,711,000
EFFECT OF EXCHANGE RATES ON CASH	82,000	83,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,045,000	4,432,000

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CASH AND CASH EQUIVALENTS	Beginning of period	36,519,000	33,444,000
CASH AND CASH EQUIVALENTS	End of period	\$ 44,564,000	\$ 37,876,000

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**OPENTABLE, INC.**

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

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW INFORMATION:</b>		
Cash paid for income taxes	\$ 283,000	\$ 92,000
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Purchase of property, equipment and software recorded in accounts payable and accrued expenses	\$ 658,000	\$ 479,000
Vesting of early exercised stock options	\$	\$ 285,000

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, including toptable.co.uk Ltd. ( toptable ) which the Company acquired in October 2010, OpenTable or the Company ), was incorporated on October 13, 1998, and is a Delaware corporation. The Company provides solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. For restaurant customers, the Company provides a proprietary Electronic Reservation Book, or ERB, and Connect. The ERB combines proprietary software and computer hardware to deliver a solution that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. The ERB streamlines and enhances a number of business-critical functions and processes for restaurants, including reservation management, table management, guest recognition and email marketing. For restaurants that do not require the operational benefits of the ERB, OpenTable offers Connect, a web-based solution that enables participating restaurants to receive reservations from OpenTable websites and mobile applications as well as the websites and mobile applications of OpenTable's partners and restaurant customers. For diners, the Company operates www.opentable.com and www.toptable.com, popular restaurant reservation websites, and also provides a variety of mobile applications. The OpenTable websites and mobile applications enable diners to find, choose and book tables at restaurants on the OpenTable network that use ERB and Connect in real time, overcoming the inefficiencies associated with the traditional process of reserving by phone.

*Certain Significant Risks and Uncertainties*

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

**2. Summary of Significant Accounting Policies**

*Principles of Consolidation*

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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, 2011, as filed on February 24, 2012 with the SEC (the 2011

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Annual Report ). The condensed consolidated balance sheet as of December 31, 2011, included herein was derived from the audited consolidated financial statements as of that date but does not include all disclosures required by GAAP, including notes to the consolidated financial statements.

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 March 31, 2012 and December 31, 2011, and the Company's results of operations for the three months ended March 31, 2012 and 2011, and its cash flows for the three months ended March 31, 2012 and 2011. The results for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for any future period. All references to March 31, 2012 or to the three months ended March 31, 2012 and 2011 in the notes to the condensed consolidated financial statements are unaudited.

*Use of Estimates*

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

*Recently Issued Accounting Standards*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Topic 820 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (Topic 820). Topic 820 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. Topic 820 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. Topic 820 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. Adoption of the updated guidance did not have an impact on the Company's consolidated results of operations or financial condition.

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

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles-Goodwill and Other (Topic 350) *Testing Goodwill for Impairment*. Topic 350 is intended to simplify goodwill impairment testing by adding a qualitative review step to assess whether the quantitative impairment analysis under the Standard is necessary. Topic 350 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is

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not required. Topic 350 is effective for interim and annual periods beginning after December 15, 2011. The Company performs its annual impairment testing of goodwill in the third quarter of each year, and does not expect the application of this Standard to have an impact on its reported results of operations.

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Short-term investments are summarized as follows:

	Amortized Cost		Unrealized Gains		Unrealized Losses		Estimated Fair Market Value
<b>At March 31, 2012:</b>							
U.S. government and agency securities	\$ 8,644,000	\$	1,000	\$	(1,000)	\$	8,644,000
Certificates of deposit	3,116,000						3,116,000
Commercial paper	699,000						699,000
Corporate bonds	706,000						706,000
Total	\$ 13,165,000	\$	1,000	\$	(1,000)	\$	13,165,000

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

As of March 31, 2012, certain investments with a total estimated fair value of \$4,057,000 had maturity dates of greater than one year. As of December 31, 2011, there were no investments that had maturity dates of greater than one year.

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

- **Level 1** Quoted prices in active markets for identical assets or liabilities. The Company considers a market to be active when transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2** Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation of Level 3 investments requires the use of significant management judgments or estimation.



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

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	March 31, 2012			December 31, 2011		
	Aggregate Fair Value	Level 1	Level 2	Aggregate Fair Value	Level 1	Level 2
U.S. government and agency securities	\$ 8,644,000	\$	\$ 8,644,000	\$ 10,540,000	\$	\$ 10,540,000
Certificates of deposit	3,116,000		3,116,000	2,871,000		2,871,000
Commercial paper	699,000		699,000			
Corporate bonds	706,000		706,000			
Total short-term investments	\$ 13,165,000	\$	\$ 13,165,000	\$ 13,411,000	\$	\$ 13,411,000

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

**4. Goodwill and Intangible Assets**

As of March 31, 2012, goodwill included \$39,055,000 resulting from the acquisition of toptable (adjusted by \$405,000 for the change in foreign currency exchange rates from the date of acquisition through March 31, 2012), \$2,756,000 resulting from the acquisition of Table Maestro, LLC, and \$1,805,000 resulting from the acquisition of GuestBridge, Inc. A summary of the carrying amount of Goodwill by business segment as of March 31, 2012 and December 31, 2011 is as follows:

	March 31, 2012	December 31, 2011
North America	\$ 4,561,000	\$ 4,561,000
International	39,055,000	37,751,000
Total Goodwill	\$ 43,616,000	\$ 42,312,000

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

	March 31, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Total	Gross Carrying Value	Accumulated Amortization	Total
Trademarks - finite life	\$ 132,000	\$ 58,000	\$ 74,000	\$ 132,000	\$ 51,000	\$ 81,000
Trademarks - indefinite life	12,159,000		12,159,000	11,752,000		11,752,000
Customer relationships	8,341,000	4,970,000	3,371,000	8,091,000	4,042,000	4,049,000
Developed technology	1,554,000	1,196,000	358,000	1,514,000	993,000	521,000
Total intangible assets	\$ 22,186,000	\$ 6,224,000	\$ 15,962,000	\$ 21,489,000	\$ 5,086,000	\$ 16,403,000

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Amortization of intangible assets was \$971,000 and \$988,000 for the three months ended March 31, 2012 and 2011, respectively. Based on the current amount of intangibles subject to amortization, estimated future annual amortization expense is as follows: 2012 (remainder): \$2,400,000; 2013: \$1,337,000; 2014: \$66,000.

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**5. Commitments and Contingencies**

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

*Litigation*

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

**6. Stockholders' Equity**

*Treasury Stock*

In November 2011, the Board of Directors authorized the Company to purchase up to \$50 million of its outstanding common stock. During the three months ended March 31, 2012, the Company completed the repurchase program with the purchase of 221,673 shares of stock for \$8,710,000.

*Stock-Based Compensation*

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

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

The following table summarizes the assumptions relating to the Company's stock options for the three months ended March 31, 2012 and 2011, respectively:

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	Three Months Ended March 31,	
	2012	2011
Dividend yield	0%	0%
Volatility	52% - 54%	53%
Risk-free interest rate	0.85% - 1.27%	2.67%
Expected term, in years	5.27 - 6.55	6.08

The Company granted 1,078,558 and 600 stock options during the three months ended March 31, 2012 and 2011, respectively. The Company recorded stock-based compensation expense related to stock options of \$4,915,000 and \$2,726,000 for three months ended March 31, 2012 and 2011, respectively.

Topic 718 requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow. This requirement reduces net operating cash flows and increases net financing cash flows. For the three months ended March 31, 2012 and 2011, the Company recorded \$2,953,000 and \$336,000, respectively, of excess tax benefits from stock-based compensation.

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***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 6,224 and 11,510 RSUs during the three months ended March 31, 2012 and 2011, respectively. The Company recorded stock-based compensation expense related to RSUs of \$1,009,000 and \$278,000 for the three months ended March 31, 2012 and 2011, respectively.

**7. Net Income Per Share**

The Company calculates net income per share in accordance with Topic 260 *Earnings per Share*. Basic and diluted net income per share attributable to common stockholders are presented in conformity with the two-class method required for participating securities. The Company's weighted average unvested shares subject to repurchase and settlement in shares of common stock upon vesting have the non-forfeitable right to receive dividends on an equal basis with common stock and therefore are considered participating securities that must be included in the calculation of net income per share using the two-class method in all presented periods. For the three months ended March 31, 2012, the Company had a negligible amount of unvested shares remaining.

Non-vested performance-based awards are included in the diluted shares outstanding each period if established performance criteria have been met at the end of the respective periods. 97,600 and 220,000 shares were excluded from the dilutive shares outstanding for the three months ended March 31, 2012 and 2011, respectively, as the performance criteria had not been met as of the respective dates.

Anti-dilutive shares in the amounts of 1,301,000 and 76,000 were excluded from the dilutive shares outstanding for the three months ended March 31, 2012 and 2011, respectively.

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

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<i>Basic net income per common share calculation:</i>		
Net income	\$ 4,816,000	\$ 4,185,000
Less: Undistributed earnings allocated to participating securities		(12,000)
Net income attributable to common shares - basic	4,816,000	4,173,000
Basic weighted average common shares outstanding	22,536,000	23,332,000
Basic net income per share	\$ 0.21	\$ 0.18
<i>Diluted net income per common share calculation:</i>		
Net income	\$ 4,816,000	\$ 4,185,000
Less: Undistributed earnings allocated to participating securities		(8,000)
Net income attributable to common shares - diluted	4,816,000	4,177,000
Weighted average shares used to compute basic net income per share	22,536,000	23,332,000
<i>Effect of potentially dilutive securities:</i>		
Unvested common shares subject to repurchase		44,000
Employee stock options	601,000	1,148,000
Employee stock awards	37,000	6,000
Weighted average shares used to compute diluted net income per share	23,174,000	24,530,000
Diluted net income per share	\$ 0.21	\$ 0.17

### **8. Income Taxes**

During the three months ended March 31, 2012, the Company recorded income tax expense of \$2,592,000, which resulted in an effective tax rate of 35.0%. During the three months ended March 31, 2011, the Company recorded income tax expense of \$2,350,000, which resulted in an effective tax rate of 36.0%. The expected tax provision (derived from applying the federal statutory rate to the Company's income before income tax provision for the three months ended March 31, 2012) differed from the Company's recorded income tax provision primarily due to benefits resulting from the recognition of current year state research and development credit and the federal Domestic Manufacturing Deduction which was offset by state income taxes. The Company's effective tax rate for the three months ended March 31, 2012 is not necessarily indicative of the effective tax rate that may be expected for fiscal year 2012.

Topic 740 *Income Taxes* prescribes that a tax position is required to meet a minimum recognition threshold before being recognized in the financial statements. The Company's gross unrecognized tax benefits as of March 31, 2012 and December 31, 2011 were \$17,648,000. As of March 31, 2012 and December 31, 2011, the Company recorded \$260,000 and \$200,000, respectively, of accrued interest. No significant penalties have been recorded to date.

### **9. Comprehensive Income (Loss)**

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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, which includes certain changes in equity that are excluded from net income. Specifically, it includes cumulative foreign currency translation and the unrealized gain (loss) from investments.

Accumulated other comprehensive income of \$289,000 as of March 31, 2012 was comprised of \$288,000 of foreign currency translation gains and \$1,000 of unrealized gain on investments. Accumulated other comprehensive loss of \$1,634,000 as of December 31, 2011 was comprised of \$1,637,000 of foreign currency translation losses and \$3,000 of unrealized gain on investments.



Table of Contents**10. Segment Information**

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

Summarized financial information concerning the reportable segments is as follows:

	North America Segment(1)	International Segment	Total Consolidated
<i>Three months ended March 31, 2012</i>			
Revenues reservations	\$ 19,215,000	\$ 3,113,000	\$ 22,328,000
Revenues subscription	11,900,000	1,639,000	13,539,000
Revenues other	2,608,000	894,000	3,502,000
<b>Total Revenues</b>	<b>33,723,000</b>	<b>5,646,000</b>	<b>39,369,000</b>
Income (loss) from operations	9,981,000	(2,590,000)	7,391,000
Interest income	12,000		12,000
Depreciation and amortization expense	1,690,000	1,487,000	3,177,000
Purchases of property, equipment and software	2,263,000	1,387,000	3,650,000
<i>Three months ended March 31, 2011</i>			
Revenues reservations	\$ 14,976,000	\$ 2,631,000	\$ 17,607,000
Revenues subscription	10,621,000	1,397,000	12,018,000
Revenues other	3,177,000	905,000	4,082,000
<b>Total Revenues</b>	<b>28,774,000</b>	<b>4,933,000</b>	<b>33,707,000</b>
Income (loss) from operations	10,085,000	(3,571,000)	6,514,000
Interest income	16,000		16,000
Depreciation and amortization expense	1,695,000	1,136,000	2,831,000
Purchases of property, equipment and software	1,604,000	614,000	2,218,000

(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.

**Geographical Information**

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

**Three Months  
Ended**

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	March 31,	
	2012	2011
<i>Revenues:</i>		
United States	\$ 31,696,000	\$ 27,091,000
United Kingdom	4,524,000	4,123,000
International all others	3,149,000	2,493,000
Total revenues	\$ 39,369,000	\$ 33,707,000

	As of March 31, 2012	As of December 31, 2011
<i>Long-lived assets(1):</i>		
United States	\$ 13,572,000	\$ 12,536,000
United Kingdom	3,207,000	2,399,000
International all others	1,497,000	2,670,000
Total long-lived assets	\$ 18,276,000	\$ 17,605,000

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(1) Includes all non-current assets except deferred tax assets, goodwill 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 period presented above.

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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 2011 Annual Report.*

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

**Overview**

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions for restaurants include our proprietary Electronic Reservation Book, or ERB, and Connect. Our solutions for diners include our popular restaurant reservation websites, www.opentable.com and www.toptable.com, as well as a variety of mobile applications. We refer to www.opentable.com, www.toptable.com and related websites as the OpenTable websites. The OpenTable network includes more than 25,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated over 325 million diners through OpenTable reservations, and during the three months ended March 31, 2012, we seated an average of more than 9 million diners per month. Restaurants that use our ERB pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. Diners can use our online restaurant reservation service for free. For the three months ended March 31, 2012 and 2011, our net revenues were \$39.4 million and \$33.7 million, respectively. For the three months ended March 31, 2012 and 2011, our reservation revenues accounted for 57% and 52% of our total revenues, respectively. For the three months ended March 31, 2012 and 2011, our subscription revenues accounted for 34% and 36% of our total revenues, respectively.

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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 March 31, 2012 and 2011 represented 14% and 15% of our total revenues, respectively. We intend to continue to incur substantial expenses in advance of recognizing material related revenues as we attempt to further penetrate our existing international markets and selectively enter new markets. Some international markets may fail to meet our expectations, and we may decide to realign our focus, as we did when we closed our offices in Spain and France in the fourth quarter of 2008.

**Basis of Presentation**

*General*

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

*Revenues*

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

*Costs and Expenses*

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

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

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

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*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.

***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 months ended March 31, 2012, we recorded income tax expense of \$2.6 million, which resulted in an effective tax rate of 35.0%. During the three months ended March 31, 2011, we recorded income tax expense of \$2.4 million, which resulted in an effective tax rate of 36.0%. The expected tax provision (derived from applying the federal statutory rate to our income before income tax provision for the three months ended March 31, 2012) differed from our recorded income tax provision primarily due to benefits resulting from the recognition of current year state research and development credits and the federal Domestic Manufacturing Deduction which was offset by state income taxes. Our effective tax rate for the three months ended March 31, 2012 is not necessarily indicative of the effective tax rate that may be expected for fiscal year 2012.

Factors that impact our income tax provision include, but are not limited to, the recognition of state research and development tax benefit 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.

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

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

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

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

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**Results of Operations**

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

	Three Months Ended March 31,	
	2012	2011
(In thousands, except per share amounts)		
REVENUES	\$ 39,369	\$ 33,707
<b>COSTS AND EXPENSES:</b>		
Operations and support (1)	10,519	9,472
Sales and marketing (1)	8,860	7,812
Technology (1)	3,248	4,047
General and administrative (1)	9,351	5,862
Total costs and expenses	31,978	27,193
Income from operations	7,391	6,514
Other income, net	17	21
Income before taxes	7,408	6,535
Income tax expense	2,592	2,350
NET INCOME	\$ 4,816	\$ 4,185
<b>Net income per share:</b>		
Basic	\$ 0.21	\$ 0.18
Diluted	\$ 0.21	\$ 0.17
<b>Weighted average shares outstanding:</b>		
Basic	22,536	23,332
Diluted	23,174	24,530

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

Operations and support	\$ 301	\$ 412
Sales and marketing	1,381	510
Technology	522	451
General and administrative	3,720	1,631
	\$ 5,924	\$ 3,004

**Other Operational Data:**

<b>Installed restaurants (at period end):</b>		
North America	17,753	14,522
International	8,091	6,692



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Total		25,844		21,214
Seated diners (in thousands):				
North America		27,716		20,870
International		2,254		1,553
Total		29,970		22,423
Headcount (at period end):				
North America		392		358
International		164		156
Total		556		514
<b>Additional Financial Data:</b>				
Revenues:				
North America	\$	33,723	\$	28,774
International		5,646		4,933
Total	\$	39,369	\$	33,707
Income (loss) from operations:				
North America	\$	9,981	\$	10,085
International		(2,590)		(3,571)
Total	\$	7,391	\$	6,514
Depreciation and amortization:				
North America	\$	1,690	\$	1,695
International		1,487		1,136
Total	\$	3,177	\$	2,831
Stock-based compensation:				
North America	\$	5,435	\$	2,019
International		489		985
Total	\$	5,924	\$	3,004

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	Three Months Ended March 31,	
	2012	2011
(as a percentage of revenue)		
REVENUES	100%	100%
<b>COSTS AND EXPENSES:</b>		
Operations and support	27%	28%
Sales and marketing	22%	23%
Technology	8%	12%
General and administrative	24%	17%
Total costs and expenses	81%	80%
Income from operations	19%	19%
Other income, net	0%	0%
Income before taxes	19%	19%
Income tax expense	7%	7%
NET INCOME	12%	12%

*Revenues*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
(Dollars in thousands)			
<b>Revenues by Type:</b>			
Reservation	\$ 22,328	\$ 17,607	27%
Subscription	13,539	12,018	13%
Other	3,502	4,082	-14%
Total	\$ 39,369	\$ 33,707	17%
<b>Percentage of Revenues by Type:</b>			
Reservation	57%	52%	
Subscription	34%	36%	
Other	9%	12%	
Total	100%	100%	
<b>Revenues by Location:</b>			
North America	\$ 33,723	\$ 28,774	17%
International	5,646	4,933	14%
Total	\$ 39,369	\$ 33,707	17%
<b>Percentage of Revenues by Location:</b>			
North America	86%	85%	
International	14%	15%	
Total	100%	100%	

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Total revenues increased \$5.7 million, or 17%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Reservation revenues increased \$4.7 million, or 27%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Reservation revenues increased as a result of the increase in seated diners. Subscription revenues increased \$1.5 million, or 13%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Subscription revenues increased as a result of the increase in installed restaurants. Other revenues decreased \$0.6 million, or 14%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Other revenues decreased primarily as a result of a decrease in third-party restaurant coupon sales which was partially offset by an increase in advertising sales and featured private dining listings.

Table of Contents*Costs and Expenses**Operations and Support*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		
Operations and support	\$ 10,519	\$ 9,472	11%
Headcount (at period end):			
North America	138	121	14%
International	61	55	11%
Total	199	176	13%

Our operations and support expense increased \$1.0 million, or 11%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in operations and support expense was primarily attributable to a \$0.7 million increase in headcount-related costs, including stock-based compensation expense and a \$0.4 million increase in cost at our outsourced customer support center. Also contributing to the increase was a \$0.4 million increase in depreciation of capitalized website and software development costs and a \$0.1 million increase in depreciation on restaurant hardware which were partially offset by a \$0.3 million decrease in costs associated with third-party restaurant coupon sales.

*Sales and Marketing*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		
Sales and marketing	\$ 8,860	\$ 7,812	13%
Headcount (at period end):			
North America	116	103	13%
International	65	66	-2%
Total	181	169	7%

Our sales and marketing expense increased \$1.0 million, or 13%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in sales and marketing expense was primarily attributable to a \$1.4 million increase in headcount-related costs, including stock-based compensation expense which was partially offset by a decrease of \$0.3 million of pay-per-click marketing expenses incurred by toptable.



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	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		
Technology	\$ 3,248	\$ 4,047	-20%
Headcount (at period end):			
North America	82	86	-5%
International	16	13	23%
Total	98	99	-1%

Our technology expense decreased \$0.8 million, or 20%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The decrease in technology expense was primarily attributable to a \$0.8 million decrease in headcount-related costs, including a \$0.9 million increase in capitalized website and software development costs.

*General and Administrative*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		
General and administrative	\$ 9,351	\$ 5,862	60%
Headcount (at period end):			
North America	56	48	17%
International	22	22	0%
Total	78	70	11%

Our general and administrative expense increased \$3.5 million, or 60%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in general and administrative expense was primarily attributable to a \$2.8 million increase in headcount-related costs, including a \$2.1 million increase in stock-based compensation expense, plus an increase of \$0.5 million in professional services, primarily reflecting increased legal, tax and audit services during the first quarter of 2012.

*Other Income, Net*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		

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Other income, net	\$	17	\$	21	-19%
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Other income, net remained relatively consistent for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 and consisted primarily of interest income earned on cash, cash equivalents and short-term investments.

Table of Contents*Income Taxes*

	Three Months Ended March 31,		Three Month % Change
	2012	2011	
	(Dollars in thousands)		
Income tax expense	\$ 2,592	\$ 2,350	10%

Income tax expense increased \$0.2 million, or 10%, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in income tax expense reflects the increase in income before taxes, as our effective tax rate of 35% in 2012 decreased only a nominal amount from 36% in 2011.

**Liquidity and Capital Resources**

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
Condensed Consolidated Statements of		
Cash Flows Data:		
Purchases of property and equipment	\$ 3,650	\$ 2,218
Depreciation and amortization		
North America	1,690	1,695
International	1,487	1,136
Total depreciation and amortization	3,177	2,831
Cash flows from operating activities	15,832	12,334
Cash flows from investing activities	(3,419)	(10,696)
Cash flows from financing activities	(4,450)	2,711

As of March 31, 2012, we had cash and cash equivalents of \$44.6 million and short-term investments of \$13.2 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, certificates of deposit, commercial paper and corporate bonds.

Amounts deposited with third party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation, or SIPC, insurance limits, as applicable. These cash, cash equivalents and short-term investment balances could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date we have experienced no loss or lack of access to our 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.

We have a \$5.0 million line of credit to fund working capital under which we had no amounts drawn down as of March 31, 2012. This line of credit expires in July 2012.



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Prior to 2005, we financed our operations and capital expenditures through operations, private sales of preferred stock, lease financing and the use of bank-provided line of credit and operations. Since 2005, we have been able to finance our operations, including international expansion, through cash from operating activities and proceeds from sales of our common stock, including the exercise of vested and unvested employee stock options. We had cash and cash equivalents of \$44.6 million at March 31, 2012 and we believe we will have sufficient cash to support our operating activities and capital expenditures for at least the next twelve months.

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**Operating Activities**

For the three months ended March 31, 2012, operating activities provided \$15.8 million in cash, primarily as a result of net income of \$4.8 million, \$5.9 million in stock-based compensation and \$3.2 million in depreciation and amortization.

For the three months ended March 31, 2011, operating activities provided \$12.3 million in cash, primarily as a result of net income of \$4.2 million, \$3.0 million in stock-based compensation, \$2.8 million in depreciation and amortization, \$0.5 million in write-offs of property, equipment and software and \$0.4 million in provision for bad debts. These amounts were partially offset by a cash usage of \$1.7 million as a result of an increased accounts receivable balance.

**Investing Activities**

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

In addition to purchases of property, equipment and software, we sold \$0.2 million (net of purchases) of short-term investments in the three months ended March 31, 2012 and purchased \$8.5 million (net of sales) of short-term investments in the three months ended March 31, 2011.

**Financing Activities**

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

During the three months ended March 31, 2012, we repurchased \$8.7 million of common shares under our share repurchase program, which concluded in January 2012.

**Off Balance Sheet Arrangements**

As of March 31, 2012, we did not have any off balance sheet arrangements.

**Contractual Obligations**

As of March 31, 2012, 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.

Our investments include cash, cash equivalents and short-term investments. Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and U.S. government agency securities. Short-term investments consist of U.S. government agency securities, certificates of deposit, commercial paper and corporate bonds. The primary objective of our investment activities is to preserve

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principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be materially affected to any degree by a sudden change in market interest rates.

**Foreign Currency Exchange Risk**

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

**Inflation Risk**

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

ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2012. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of March 31, 2012, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

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

**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.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

**Our directors, executive officers and principal stockholders have substantial control over us and could delay or prevent a change in corporate control.**

As of March 31, 2012, our directors and executive officers, together with their affiliates, beneficially owned approximately 5.5% of our outstanding common stock. In addition, as of March 31, 2012, approximately 59% of our outstanding common stock was held by other holders of more than 5% of our common stock and their affiliates.

These stockholders, acting together, have the ability to control, or have significant influence over, the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In

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addition, these stockholders, acting together, have the ability to control, or have significant influence over, the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

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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
January 1, 2012 - January 31, 2012	221,673	\$ 39.27	221,673	\$ 0.00
February 1, 2012 - February 29, 2012	0	\$ 0.00	0	\$ 0.00
March 1, 2012 - March 31, 2012	0	\$ 0.00	0	\$ 0.00
<b>Total</b>	<b>221,673</b>	<b>\$ 39.27</b>	<b>221,673</b>	

(1) On November 30, 2011, we announced that our board of directors had approved a \$50.0 million share repurchase program, or Share Repurchase Program. We completed the Share Repurchase Program on January 6, 2012.

**Unregistered Sales of Equity Securities**

None.

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.
- 10.1(3) Amended and Restated Offer Letter Agreement, dated January 3, 2012, by and between OpenTable, Inc. and Matthew Roberts.

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10.2(4)	Amended and Restated Offer Letter Agreement, dated January 4, 2012, by and between OpenTable, Inc. and Duncan Robertson.
10.3(5)	Employment Transition and Separation Letter Agreement, dated March 29, 2012, by and between OpenTable, Inc. and Charles McCullough.
10.4	Amended and Restated Independent Director Equity Compensation Policy.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS (6)	XBRL Instance Document.
101.SCH (6)	XBRL Taxonomy Extension Schema Document.
101.CAL (6)	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (6)	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (6)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (6)	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) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2012, and incorporated herein by reference.

(4) Filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2012, and incorporated herein by reference.

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

(6) 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: May 3, 2012

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