

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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: 1-33472



TECHTARGET, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

275 Grove Street Newton, Massachusetts

(Address of principal executive offices)

04-3483216

(I.R.S. Employer
Identification No.)

02466

(Zip Code)

Registrant's telephone number, including area code: (617) 431-9200

Former name, former address and formal fiscal year, if changed since last report: Not applicable

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 Par Value	TTGT	Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒
Non-accelerated filer ☐
Emerging growth company ☐

Accelerated filer ☐
Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 4, 2022, the registrant had 29,323,520 shares of common stock, \$0.001 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

TechTarget, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	September 30, 2022	December 31, 2021
	(Unaudited)	(Unaudited)
Assets		
Current assets:		
Cash	\$ 364,269	\$ 361,623
Short-term investments	19,991	20,076
Accounts receivable, net of allowance for doubtful accounts of \$4,233 and \$2,514 respectively	60,720	51,095
Prepaid taxes	—	51
Prepaid expenses and other current assets	4,877	5,266
Total current assets	449,857	438,111
Property and equipment, net	21,833	18,720
Goodwill	189,887	197,073
Intangible assets, net	93,843	110,390
Operating lease assets with right-of-use	21,104	23,339
Deferred tax assets	2,272	474
Other assets	639	893
Total assets	<u>\$ 779,435</u>	<u>\$ 789,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,207	\$ 3,783
Current operating lease liability	3,775	4,073
Accrued expenses and other current liabilities	12,375	16,638
Accrued compensation expenses	2,412	14,540
Income taxes payable	2,621	474
Contract liabilities	31,330	30,492
Total current liabilities	59,720	70,000
Non-current operating lease liability	21,257	24,021
Convertible senior notes	455,068	453,194
Other liabilities	—	2,779
Deferred tax liabilities	13,552	16,249
Total liabilities	549,597	566,243
Leases and contingencies (see Note 9)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 57,740,251 and 57,144,740 shares issued, respectively; 29,520,589 and 29,633,898 shares outstanding, respectively	57	57
Treasury stock, at cost; 28,219,662 and 27,510,842 shares, respectively	(245,025)	(199,796)
Additional paid-in capital	417,745	383,436
Accumulated other comprehensive income (loss)	(16,121)	298
Retained earnings	73,182	38,762
Total stockholders' equity	229,838	222,757
Total liabilities and stockholders' equity	<u>\$ 779,435</u>	<u>\$ 789,000</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$ 77,412	\$ 69,751	\$ 224,453	\$ 186,431
Cost of revenue ⁽¹⁾	19,118	16,805	56,715	49,087
Amortization of acquired technology	654	766	2,097	2,307
Gross profit	57,640	52,180	165,641	135,037
Operating expenses:				
Selling and marketing ⁽¹⁾	25,982	25,403	75,035	69,108
Product development ⁽¹⁾	2,791	2,790	8,990	8,247
General and administrative ⁽¹⁾	8,520	13,432	24,051	26,075
Depreciation, excluding depreciation of \$704, \$503, \$1,980 and \$1,330, respectively, included in cost of revenue	1,847	1,454	5,279	4,063
Amortization	120	1,969	4,109	5,257
Total operating expenses	39,260	45,048	117,464	112,750
Operating income	18,380	7,132	48,177	22,287
Interest and other income (expense), net	(109)	(199)	(1,653)	(1,381)
Income before provision for income taxes	18,271	6,933	46,524	20,906
(Benefit) Provision for income taxes	3,430	(3,051)	12,104	3,992
Net income	\$ 14,841	\$ 9,984	\$ 34,420	\$ 16,914
Other comprehensive income (loss), net of tax:				
Unrealized loss on investments (net of tax provision effect of \$(7), \$0, \$(66) and \$0, respectively)	\$ (24)	\$ —	(231)	\$ —
Foreign currency translation loss	(6,456)	(3,330)	(16,188)	(1,721)
Other comprehensive loss	(6,480)	(3,330)	(16,419)	(1,721)
Comprehensive income	\$ 8,361	\$ 6,654	\$ 18,001	\$ 15,193
Net income per common share:				
Basic	\$ 0.50	\$ 0.35	\$ 1.16	\$ 0.60
Diluted	\$ 0.46	\$ 0.32	\$ 1.06	\$ 0.56
Weighted average common shares outstanding:				
Basic	29,637	28,473	29,640	28,255
Diluted	33,934	32,267	34,226	32,170

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

Cost of revenue	\$ 744	\$ 435	\$ 2,153	\$ 1,331
Selling and marketing	6,290	5,305	16,886	12,363
Product development	391	139	1,222	915
General and administrative	3,289	8,437	9,243	12,319

See accompanying Notes to Condensed Consolidated Financial Statements.

TechTarget, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)
(Unaudited)

	Common Stock		Treasury Stock			Accumulate d Other Comprehen sive Income (Loss)	Retained Earnings	Total Stockholde rs' Equity
	Number of Shares	\$0.001 Par Value	Number of Shares	Cost	Additional Paid-In Capital			
Balance, December 31, 2021	<u>57,144</u> <u>,740</u>	<u>\$ 57</u>	<u>27,510</u> <u>,842</u>	<u>(199,7</u> <u>\$ 96)</u>	<u>\$ 383,436</u>	<u>\$ 298</u>	<u>\$ 38,762</u>	<u>\$ 222,757</u>
Issuance of common stock from restricted stock awards	122,571	—	—	—	—	—	—	—
Purchase of common stock through stock buyback	—	—	4,614	(323)	—	—	—	(323)
Impact of net settlements	1,340	—	1,340	—	(4,382)	—	—	(4,382)
Stock-based compensation expense(1)	—	—	—	—	18,744	—	—	18,744
Comprehensive income:								
Unrealized loss on investments	—	—	—	—	—	(69)	—	(69)
Unrealized loss on foreign currency exchange	—	—	—	—	—	(2,695)	—	(2,695)
Net income	—	—	—	—	—	—	7,164	7,164
Balance, March 31, 2022	<u>57,268</u> <u>,651</u>	<u>\$ 57</u>	<u>27,516</u> <u>,796</u>	<u>(200,1</u> <u>\$ 19)</u>	<u>\$ 397,798</u>	<u>\$ (2,466)</u>	<u>\$ 45,926</u>	<u>\$ 241,196</u>
Issuance of common stock from restricted stock awards	8,000	—	—	—	—	—	—	—
Purchase of common stock through stock buyback	—	—	252,493	(17,169)	—	—	—	(17,169)
Stock-based compensation expense	—	—	—	—	9,135	—	—	9,135
Comprehensive income:								
Unrealized loss on investments	—	—	—	—	—	(138)	—	(138)
Unrealized loss on foreign currency exchange	—	—	—	—	—	(7,037)	—	(7,037)
Net income	—	—	—	—	—	—	12,415	12,415
Balance, June 30, 2022	<u>57,276</u> <u>,651</u>	<u>\$ 57</u>	<u>27,769</u> <u>,289</u>	<u>(217,2</u> <u>\$ 88)</u>	<u>\$ 406,933</u>	<u>\$ (9,641)</u>	<u>\$ 58,341</u>	<u>\$ 238,402</u>
Issuance of common stock from exercise of options	12,500	—	—	—	98	—	—	98
Issuance of common stock from restricted stock awards	451,100	—	—	—	—	—	—	—
Purchase of common stock through stock buyback	—	—	450,373	(27,737)	—	—	—	(27,737)
Stock-based compensation expense(2)	—	—	—	—	10,714	—	—	10,714
Comprehensive income:								
Unrealized loss on investments	—	—	—	—	—	(24)	—	(24)
Unrealized loss on foreign currency exchange	—	—	—	—	—	(6,456)	—	(6,456)
Net income	—	—	—	—	—	—	14,841	14,841
Balance, September 30, 2022	<u>57,740</u> <u>,251</u>	<u>\$ 57</u>	<u>28,219</u> <u>,662</u>	<u>(245,0</u> <u>\$ 25)</u>	<u>\$ 417,745</u>	<u>\$ (16,121)</u>	<u>\$ 73,182</u>	<u>\$ 229,838</u>

TechTarget, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share and per share data)

(Unaudited)

	Common Stock		Treasury Stock			Accumulate d Other Comprehen sive Income (Loss)	Retaine d Earning s	Total Stockholde rs' Equity
	Number of Shares	\$0.001 Par Value	Number of Shares	Cost	Additi onal Paid-In Capital			
Balance, December 31, 2020	<u>55,633</u> <u>,155</u>	<u>\$ 56</u>	<u>27,510</u> <u>,552</u>	<u>(199,7</u> <u>\$ 96)</u>	<u>\$ 363,055</u>	<u>\$ 1,611</u>	<u>\$ 37,580</u>	<u>\$ 202,506</u>
Reclassification due to the adoption of ASU 2020-06	—	—	—	—	(30,500)	—	233	(30,267)
Issuance of common stock from restricted stock awards	24,815	—	—	—	—	—	—	—
Impact of net settlements	290	—	290	—	(370)	—	—	(370)
Stock-based compensation expense(1)	—	—	—	—	7,425	—	—	7,425
Comprehensive income:								
Unrealized gain on foreign currency exchange	—	—	—	—	—	1,034	—	1,034
Net income	—	—	—	—	—	—	1,810	1,810
Balance, March 31, 2021	<u>55,658</u> <u>,260</u>	<u>\$ 56</u>	<u>27,510</u> <u>,842</u>	<u>(199,7</u> <u>\$ 96)</u>	<u>\$ 339,610</u>	<u>\$ 2,645</u>	<u>\$ 39,623</u>	<u>\$ 182,138</u>
Issuance of common stock from exercise of options	2,500	—	—	—	16	—	—	16
Issuance of common stock from restricted stock awards	9,125	—	—	—	—	—	—	—
Registration fees	—	—	—	—	(29)	—	—	(29)
Stock-based compensation expense	—	—	—	—	6,012	—	—	6,012
Comprehensive income:								
Unrealized gain on foreign currency exchange	—	—	—	—	—	575	—	575
Net income	—	—	—	—	—	—	5,120	5,120
Balance, June 30, 2021	<u>55,669</u> <u>,885</u>	<u>\$ 56</u>	<u>27,510</u> <u>,842</u>	<u>(199,7</u> <u>\$ 96)</u>	<u>\$ 345,609</u>	<u>\$ 3,220</u>	<u>\$ 44,743</u>	<u>\$ 193,832</u>
Issuance of common stock from restricted stock awards	660,643	—	—	—	—	—	—	—
Stock-based compensation expense(2)	—	—	—	—	8,035	—	—	8,035
Comprehensive income:								
Unrealized loss on foreign currency exchange	—	—	—	—	—	(3,330)	—	(3,330)
Net income	—	—	—	—	—	—	9,984	9,984
Balance, September 30, 2021	<u>56,330</u> <u>,528</u>	<u>\$ 56</u>	<u>27,510</u> <u>,842</u>	<u>(199,7</u> <u>\$ 96)</u>	<u>\$ 353,644</u>	<u>\$ (110)</u>	<u>\$ 54,727</u>	<u>\$ 208,521</u>

(1) Includes \$9.1 and \$0.8 million of accrued compensation expense expensed in previous year for the three months ended March 31, 2022 and 2021, respectively.

(2) Excludes \$0 and \$6.3 million of accrued compensation expense that has not been issued for the three months ended September 30, 2022 and 2021, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended	
	September 30,	
	2022	2021
	(Unaudited)	
Operating activities:		
Net income	\$ 34,420	\$ 16,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,259	5,393
Amortization	6,206	7,564
Provision for bad debt	1,886	43
Stock-based compensation	29,504	26,928
Amortization of debt issuance costs	1,873	982
Deferred tax (benefit) provision	(2,366)	2,839
Changes in operating assets and liabilities:		
Accounts receivable	(12,688)	(5,388)
Operating lease assets (ROU)	1,997	3,662
Prepaid expenses and other current assets	384	(5,596)
Other assets	226	390
Accounts payable	3,529	(1,298)
Income taxes payable	2,255	308
Accrued expenses and other current liabilities	2,167	(6,295)
Accrued compensation expenses	(2,893)	48
Operating lease liability (ROU)	(2,386)	(3,438)
Contract liabilities	2,324	13,823
Other liabilities	(2,777)	207
Net cash provided by operating activities	70,920	57,086
Investing activities:		
Purchases of property and equipment, and other capitalized assets, net	(10,859)	(9,245)
Purchases of investments	(211)	(5,001)
Acquisitions of businesses, net	—	(24,346)
Net cash used in investing activities	(11,070)	(38,592)
Financing activities:		
Tax withholdings related to net share settlements	(4,382)	(370)
Purchase of treasury shares and related costs	(45,228)	—
Registration fees	—	(29)
Proceeds from stock option exercises	98	16
Payment of earnout liabilities	(5,206)	(1,059)
Net cash used in financing activities	(54,718)	(1,442)
Effect of exchange rate changes on cash	(2,486)	(285)
Net increase in cash	2,646	16,767
Cash at beginning of period	361,623	82,616
Cash at end of period	\$ 364,269	\$ 99,383
Supplemental disclosure of cash flow information:		
Cash paid for taxes, net	\$ 12,255	\$ 5,367
Schedule of non-cash investing and financing activities:		
Right of use assets and lease liabilities	\$ 726	\$ 203

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Organization and Operations

TechTarget, Inc. and its subsidiaries (collectively, the “Company”) is a global data and analytics leader and software provider for buyers of purchase intent-driven marketing and sales data for enterprise technology vendors. The Company’s service offerings enable technology vendors to better identify, reach and influence corporate information technology (“IT”) decision-makers actively researching specific IT purchases. The Company improves vendors’ ability to impact these audiences for business growth using advanced targeting, analytics and data services complemented by customized marketing programs that integrate demand generation, brand advertising techniques, and content curation and creation. The Company operates a network of approximately 150 websites and 1,100 webinars and virtual event channels, which each focus on a specific IT sector such as storage, security or networking. IT and business professionals have become increasingly specialized, and they have come to rely on the Company’s sector-specific websites and webinars and virtual event channels for purchasing decision support. The Company’s content platforms enable IT and business professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. At critical stages of the purchase decision process, these content offerings through different channels meet IT and business professionals’ needs for expert, peer and IT vendor information and provide platforms on which business-to-business technology companies can launch targeted marketing campaigns which generate measurable return on investment. Based upon the logical clustering of members and users’ respective job responsibilities and the marketing focus of the products being promoted by the Company’s customers, the Company categorizes its content offerings to address the key market opportunities and audience extensions across a portfolio of distinct market categories: Security; Networking; Storage; Data Center and Virtualization Technologies; CIO/IT Strategy; Business Applications and Analytics; Application Architecture and Development; and ANCL Channel.

2. Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to condensed consolidated financial statements. The Company’s critical accounting policies are those that affect its more significant judgments used in the preparation of its condensed consolidated financial statements. A description of the Company’s critical accounting policies and estimates is contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and in this note to the condensed consolidated financial statements.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, TechTarget Securities Corporation (“TSC”), TechTarget Limited, TechTarget (HK) Limited (“TTGT HK”), TechTarget (Australia) Pty Ltd., TechTarget (Singapore) Pte Ltd., E-Magine Médias SAS (“LeMagIT”), TechTarget Germany GmbH, and BrightTALK Limited and its wholly owned subsidiary, BrightTALK, Inc. (together “BrightTALK”). TSC is a Massachusetts corporation. TechTarget Limited is a subsidiary doing business principally in the United Kingdom. TTGT HK is a subsidiary incorporated in Hong Kong in order to facilitate the Company’s activities in the Asia-Pacific region. TechTarget (Australia) Pty Ltd. and TechTarget (Singapore) Pte Ltd. are the entities through which the Company does business in Australia and Singapore, respectively; LeMagIT and TechTarget Germany GmbH, both wholly-owned subsidiaries of TechTarget Limited, are entities through which the Company does business in France and Germany, respectively. BrightTALK are the entities through which the Company conducts business related to its BrightTALK webinar and virtual event platform.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted (Generally Accepted Accounting Principles or “U.S. GAAP”) in the United States (“U.S.”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. All adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal, recurring nature and have been reflected in the condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of results to be expected for any other interim periods or for the full year. The information included in these condensed consolidated financial statements should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in this report and the condensed consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Foreign Currency Translation

The functional currency of the Company’s major foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the Condensed Consolidated Statement of Comprehensive Income. Foreign currency transaction gains and losses are included in interest and other income (expense), net in the Condensed Consolidated Statement of Income. All assets and liabilities denominated in foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the average exchange rate during the period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to revenue, long-lived assets, goodwill, the allowance for doubtful accounts, stock-based compensation, earnouts, self-insurance accruals, the allocation of purchase price to intangibles and goodwill, and income taxes. The Company reduces its accounts receivable for an allowance for doubtful accounts based on its best estimate of the amount of probable credit losses. Estimates of the carrying value of certain assets and liabilities are based on historical experience and on various other assumptions that the Company believes to be reasonable. Actual results could differ from those estimates.

Revenue Recognition

The Company generates its revenue from the sale of targeted marketing and advertising campaigns, which it delivers via its network of websites, webinar and virtual events channels, and our data analytic services and solutions. Revenue is recognized when performance obligations are satisfied by transferring promised goods or services to customers, as determined by applying a five-step process consisting of: a) identifying the contract, or contracts, with a customer, b) identifying the performance obligations in the contract, c) determining the transaction price, d) allocating the transaction price to the performance obligations in the contract, and e) recognizing revenue when, or as, performance obligations are satisfied.

Accounts Receivable

We maintain an allowance for credit losses for expected uncollectible accounts receivable, which is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expense in the Condensed Consolidated Statements of Income and Comprehensive Income. We assess collectability by reviewing accounts receivable on an individual basis when we identify specific customers with known disputes, overdue amounts or collectability issues and also reserve for losses on all accounts based on historical information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. In determining the amount of the allowance for credit losses, we consider historical collectability based on past due status and make judgments about the creditworthiness of customers based on ongoing credit evaluations.

At September 30, 2022, the Company’s collectability assessment continues to include the business and market disruptions caused by COVID-19 and estimates of expected emerging credit and collectability trends. The continued volatility in market conditions and evolving shifts in credit trends are difficult to predict, causing variability and volatility that may have a material impact on our allowance for credit losses in future periods.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, long-term debt and contingent consideration. Due to their short-term nature and liquidity, the carrying value of these instruments, with the exception of contingent consideration and long-term debt, approximates their estimated fair values. The Company classifies all of its short-term and long-term debt investments as available-for-sale. The fair value of contingent consideration was estimated using a discounted cash flow method.

Business Combinations and Valuation of Goodwill and Acquired Intangible Assets

The Company uses its best estimates and assumptions to allocate fair value to the net tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date. Any residual purchase price is recorded as goodwill. The Company's estimates are inherently uncertain and subject to refinement and can include but are not limited to, the cash flows that an asset is expected to generate in the future, and the appropriate weighted-average cost of capital.

During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially recorded in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's Condensed Consolidated Statement of Income and Comprehensive Income.

Recent Accounting Pronouncements

Accounting Guidance Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08 "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which clarified the accounting for acquired revenue contracts with customers in a business combination. ASU 2021-08 requires acquirers to measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. As a result, it is generally expected that an acquirer will recognize and measure contract assets and liabilities in a manner consistent with how they were recognized by the acquiree in its preacquisition financial statements. The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. Early adoption in an interim period requires that the amendments be applied retrospectively to all business combinations for which the acquisition occurs on or after the beginning of the fiscal year including the interim period and prospectively to all business combinations that occur on or after the date of initial application. The new guidance is not expected to have a material impact on our consolidated financial statements.

3. Revenue

Disaggregation of Revenue

The following table depicts the disaggregation of revenue according to categories consistent with how the Company evaluates its financial performance and economic risk.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
North America	\$ 49,532	\$ 41,852	\$ 143,289	\$ 114,306
International	27,880	27,899	81,164	72,125
Total	<u>\$ 77,412</u>	<u>\$ 69,751</u>	<u>\$ 224,453</u>	<u>\$ 186,431</u>

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue under short-term contracts	\$ 44,444	\$ 44,032	\$ 130,726	\$ 113,241
Revenue under longer-term contracts	32,968	25,719	93,727	73,190
Total	<u>\$ 77,412</u>	<u>\$ 69,751</u>	<u>\$ 224,453</u>	<u>\$ 186,431</u>

Contract Liabilities

Timing may differ between the satisfaction of performance obligations and the invoicing and collections of amounts related to the Company's contracts with customers. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. Additionally, certain customers may receive credits, which are accounted for as a material right. The Company estimates these amounts based on the expected amount of future services to be provided to the customer and allocates a portion of the transaction price to these material rights. The Company recognizes these material rights as the material rights are exercised. The resulting material rights amounts included in the contract liabilities on the accompanying Condensed Consolidated Balance Sheets was \$2.0 million and \$2.6 million at September 30, 2022, and December 31, 2021, respectively.

Year-to-Date Activity	Contract Liabilities
Balance at December 31, 2021	\$ 30,492
Billings	75,380
Revenue Recognized	(68,165)
Balance at March 31, 2022	\$ 37,707
Billings	78,171
Revenue Recognized	(78,875)
Balance at June 30, 2022	\$ 37,003
Billings	71,739
Revenue Recognized	(77,412)
Balance at September 30, 2022	<u>\$ 31,330</u>

The Company elected to apply the following practical expedients:

- *Existence of a Significant Financing Component in a Contract.* As a practical expedient, the Company has not assessed whether a contract has a significant financing component because the Company expects at contract inception that the period between payment by the customer and the transfer of promised goods or services by the Company to the customer will be one year or less. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 90 days. In addition, the Company has determined that the payment terms that the Company provides to its customers are structured primarily for reasons other than the provision of financing to the customer.
- *Costs to Fulfill a Contract.* The Company's revenue is primarily generated from customer contracts that are for one year or less. Costs primarily consist of incentive compensation paid based on the achievement of sales targets. As a practical expedient, for amortization periods that are determined to be one year or less, the Company expenses any incremental costs of obtaining the contract with a customer when incurred. For those customer contracts greater than one year, the Company capitalizes and amortizes the expenses over the period of benefit.
- *Revenue Invoiced.* The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

4. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including short-term and long-term investments and contingent consideration. The Company's bank and money market accounts are in bank deposits and are not quoted instruments. As such, the Company's bank and money market accounts are all considered cash. The fair value of these financial assets and liabilities was determined based on three levels of input as follows:

- *Level 1.* Quoted prices in active markets for identical assets and liabilities;
- *Level 2.* Observable inputs other than quoted prices in active markets; and
- *Level 3.* Unobservable inputs.

The fair value hierarchy of the Company's financial assets carried at fair value and measured on a recurring basis is as follows:

		Fair Value Measurements at September 30, 2022		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	September 30, 2022			
Assets:				
Short-term investments (1)	\$ 19,991	\$ —	\$ 19,991	\$ —
Total assets	\$ 19,991	\$ —	\$ 19,991	\$ —
Liabilities:				
Contingent consideration - current (2)	\$ 2,250	\$ —	\$ —	\$ 2,250
Contingent consideration - non-current (2)	—	—	—	—
Total liabilities	\$ 2,250	\$ —	\$ —	\$ 2,250

		Fair Value Measurements at December 31, 2021		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2021			
Assets:				
Short-term investments (1)	\$ 20,076	\$ 15,000	\$ 5,076	\$ —
Total assets	\$ 20,076	\$ 15,000	\$ 5,076	\$ —
Liabilities:				
Contingent consideration - current (2)	\$ 5,200	\$ —	\$ —	\$ 5,200
Contingent consideration - non-current (2)	2,779	—	—	2,779
Total liabilities	\$ 7,979	\$ —	\$ —	\$ 7,979

- (1) Short-term investments consist of money market funds (Level 1) and pooled bond funds (Level 2). Level 2 investments are priced using observable inputs, such as quoted prices in markets that are not active and yield curves.
- (2) Contingent consideration liabilities are measured using the income approach and discounted to present value based on an assessment of the probability that the Company would be required to make such future payments. The contingent consideration liabilities are measured at fair value using significant Level 3 (unobservable) inputs, such as discount rates and probability measures. Remeasurement of the contingent consideration to fair value is expensed through the income statement in the period remeasured. Contingent consideration—current is included in accrued expenses and other current liabilities and contingent considerations—non-current is included in other liabilities on the balance sheet.

The following table provides a roll-forward of the fair value of the contingent consideration categorized as Level 3 for the nine months ended September 30, 2022:

Year-to-Date Activity	Fair Value
Balance at December 31, 2021	\$ 7,979
Payments on contingent liabilities	(5,206)
Amortization of discount on contingent liabilities	10
Remeasurement of contingent liabilities	426
Balance at March 31, 2022	\$ 3,209
Amortization of discount on contingent liabilities	7
Remeasurement of contingent liabilities	426
Balance at June 30, 2022	\$ 3,642
Amortization of discount on contingent liabilities	24
Remeasurement of contingent liabilities	(1,416)
Balance at September 30, 2022	\$ 2,250
Amounts included in accrued expenses and other current liabilities	\$ 2,250
Amounts included in other liabilities	—
Total contingent consideration	\$ 2,250

5. Cash and Investments

Cash is carried at cost, which approximates fair market value. As of September 30, 2022 and December 31, 2021, cash totaled \$364.3 million and \$361.6 million respectively.

Investments are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive income, a component of stockholders' equity, net of tax. Realized gains and losses on the sale of these investments are determined using the specific identification method. There were no realized gains or losses as of September 30, 2022 or December 31, 2021.

Short-term investments consisted of the following:

	September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Pooled bond funds	\$ 20,301	\$ —	\$ (310)	\$ 19,991
Total short-term investments	\$ 20,301	\$ —	\$ (310)	\$ 19,991

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Pooled bond and money market funds	\$ 20,090	\$ —	\$ (14)	\$ 20,076
Total short-term investments	\$ 20,090	\$ —	\$ (14)	\$ 20,076

6. Goodwill and Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. The Company did not have any intangible assets with indefinite lives other than goodwill as of September 30, 2022 or December 31, 2021. There were no indications of impairment as of September 30, 2022, and the Company believes that, as of the balance sheet dates presented, none of the Company's goodwill or intangible assets were impaired.

The following table summarizes the Company's intangible assets, net:

	Estimated Useful Lives (Years)	September 30, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	5-19	\$ 80,446	\$ (14,920)	\$ 65,526
Developed websites, technology and patents	10	29,559	(6,033)	23,526
Trademark, trade name and domain name	5-16	7,028	(2,546)	4,482
Proprietary user information database and internet traffic	5	1,044	(1,044)	—
Non-compete agreements	1.5-3	600	(291)	309
Total intangible assets		<u>\$ 118,677</u>	<u>\$ (24,834)</u>	<u>\$ 93,843</u>

	Estimated Useful Lives (Years)	December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	5-19	\$ 85,663	\$ (11,695)	\$ 73,968
Developed websites, technology and patents	10	34,939	(4,509)	30,430
Trademark, trade name and domain name	5-16	7,913	(2,355)	5,558
Proprietary user information database and internet traffic	5	1,133	(1,133)	—
Non-compete agreements	1.5-3	600	(166)	434
Total intangible assets		<u>\$ 130,248</u>	<u>\$ (19,858)</u>	<u>\$ 110,390</u>

Intangible assets are amortized over their estimated useful lives, which range from eighteen months to nineteen years, using methods of amortization that are expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 6.6 years. Amortization expense was \$6.7 million for each of the nine months ended September 30, 2022 and 2021. Amortization expense relating to developed websites, technology and patents is recorded within costs of revenues. All other amortization is recorded within operating expenses as the remaining intangible assets consist of customer-related assets which generate website traffic that the Company considers to be in support of selling and marketing activities. The Company did not write off any fully amortized intangible assets in the first nine months of 2022.

The Company expects amortization expense of intangible assets to be as follows:

Years Ending December 31:	Amortization Expense
2022 (October 1 – December 31)	\$ 2,103
2023	8,278
2024	8,248
2025	8,209
2026	8,155
Thereafter	58,850
Total	<u>\$ 93,843</u>

7. Net Income Per Common Share

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per common share is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income	\$ 14,841	\$ 9,984	\$ 34,420	\$ 16,914
Denominator:				
Basic:				
Weighted average shares of common stock and vested, undelivered restricted stock units outstanding	29,637,070	28,472,510	29,639,766	28,255,113
Diluted:				
Weighted average shares of common stock and vested, undelivered restricted stock units outstanding	29,637,070	28,472,510	29,639,766	28,255,113
Effect of potentially dilutive shares ⁽¹⁾	4,296,626	3,794,258	4,586,300	3,915,150
Total weighted average shares of common stock and vested, undelivered restricted stock units outstanding and potentially dilutive shares	33,933,696	32,266,768	34,226,066	32,170,263
Net Income Per Common Share:				
Basic:				
Net income applicable to common stockholders	\$ 14,841	\$ 9,984	\$ 34,420	\$ 16,914
Weighted average shares of stock outstanding	29,637,070	28,472,510	29,639,766	28,255,113
Basic net income per common share	\$ 0.50	\$ 0.35	\$ 1.16	\$ 0.60
Diluted:				
Net income applicable to common stockholders	\$ 15,482	\$ 10,375	\$ 36,341	\$ 18,085
Weighted average shares of stock outstanding	33,933,696	32,266,768	34,226,066	32,170,263
Diluted net income per common share ⁽¹⁾	\$ 0.46	\$ 0.32	\$ 1.06	\$ 0.56

- (1) In calculating diluted net income per share, 116 thousand shares and 106 thousand shares related to outstanding stock options and unvested, undelivered restricted stock units were excluded for the three and nine months ended September 30, 2022, respectively; 20 thousand shares and 8 thousand shares related to outstanding stock options and unvested, undelivered restricted stock units were excluded for the three and nine months ended September 30, 2021, respectively. Additionally, in calculating diluted net income per share, we excluded the impact of interest expense and amortization of note costs relating to our convertible shares from net income and included the weighted average shares 3.9 million common shares under the if-converted method for the three and nine months ended September 30, 2022 and 2.9 million common shares for the three and nine months ended September 30, 2021, respectively. For the three months and nine months ended September 30, 2022, the interest expense including amortization of note issuance costs, related to convertible notes was \$0.6 million and \$1.9 million, respectively and \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2021, respectively.

8. Convertible Notes and Loan Agreement

Convertible Notes

In December 2020, the Company issued \$201.3 million in aggregate principal amount of 0.125% convertible senior notes due December 15, 2025 (the “2025 Notes”) and in December 2021, the Company issued \$414 million in aggregate principal amount of 0.0% convertible senior notes due December 15, 2026 (the “2026 Notes”). At the time of the issuance of the 2026 Notes, a portion of the outstanding 2025 Notes were exchanged for shares of common stock and cash. As of September 30, 2022, approximately \$51 million aggregate principal amount of the 2025 Notes remain outstanding. Further details are included below:

Issuance	Maturity Date	Interest Rate	First Interest Payment Date	Effective Interest Rate	Semi-Annual Interest Payment Dates	Initial Conversion Rate per \$1,000 Principal	Initial Conversion Price	Number of Shares (in millions)
2025 Notes	December 15, 2025	0.125%	June 15, 2021	0.8%	June 15, and December 15	14.1977	\$ 70.43	1.0
2026 Notes	December 15, 2026	0.0%	—	0.0%	—	7.6043	\$ 131.50	4.3

Each of the 2025 Notes and the 2026 Notes (collectively, the “Notes”) is governed by an indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee (together the “Indentures”, and each such indenture, an “Indenture”). The Notes are unsecured and rank senior in right of payment to the Company’s future indebtedness that is expressly subordinated in right of payment to the Notes and equal in right of payment to the Company’s unsecured indebtedness that is not so subordinated.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company’s common stock or a combination of cash and shares of common stock, at the Company’s election.

Terms of the Notes

Prior to the close of business on September 15, 2025 and September 14, 2026, the 2025 Notes and 2026 Notes, respectively, will be convertible at the option of holders during certain periods, only upon satisfaction of certain conditions set forth below. On or after September 15, 2025 (for the 2025 Notes) and September 14, 2026 (for the 2026 Notes), until the close of business on the second scheduled trading day immediately preceding the applicable maturity date, holders may convert all or any portion of their Notes at the applicable conversion price at any time regardless of whether the conditions set forth below have been met.

Holders may convert all or a portion of their Notes prior to the close of business on the day immediately preceding their applicable conversion date, in multiples of the \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2021 for the 2025 Notes and March 31, 2022 for the 2026 Notes (and only during such calendar quarter), if the last reported sales price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period, or the Notes measurement period, in which the “trading price” (as defined in the applicable Indenture) per \$1,000 principal amount of Notes for each trading day of the Notes measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on September 14, 2025 for the 2025 Notes or September 14, 2026 for the 2026 Notes; or
- upon the occurrence of specified corporate events as set forth in the Indentures.

The conversion feature of the 2025 Notes was triggered as of December 31, 2021 as the last reported trading price of our common stock was greater than or equal to 130% of the conversion prices for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the last trading day of the quarter ended December 31, 2021 and therefore the 2025 Notes were convertible, in whole or in part, at the option of the holders from January 1, 2022 through March 31, 2022. After March 31, 2022, the 2025 Notes were no longer convertible at the option of the holder. The 2026 Notes have not become convertible.

Whether the 2026 Notes or 2025 Notes will be convertible prior to September 14, 2025 in the case of the 2025 Notes or September 14, 2026 for the 2026 Notes will depend on the satisfaction of the trading price condition or another conversion condition specified in the Indentures in the future.

The Notes consist of the following:

Liability Component:	September 30, 2022		December 31, 2021	
	2026 Notes	2025 Notes	2026 Notes	2025 Notes
Principal	\$ 414,000	\$ 51,381	\$ 414,000	\$ 51,381
Less: unamortized debt issuance costs	9,215	1,098	10,836	1,351
Net carrying amount	<u>\$ 404,785</u>	<u>\$ 50,283</u>	<u>\$ 403,164</u>	<u>\$ 50,030</u>

The following table sets forth total interest expense recognized related to the Notes:

	September 30, 2022	September 30, 2021
Interest paid on 2025 Notes	\$ 48	\$ 189
Amortization of debt discount and transaction costs	1,873	982
	<u>\$ 1,921</u>	<u>\$ 1,171</u>

The fair value of the Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted prices of the Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows:

	September 30, 2022		December 31, 2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	\$ 379,211	\$ 455,068	\$ 490,513	\$ 453,194

2021 Loan Agreement

On October 29, 2021, the Company entered into a Loan and Security Agreement with Western Alliance Bank, as administrative agent and collateral agent for the lenders, and the banks and other financial institutions or entities from time to time party thereto as lenders (the "2021 Loan Agreement"). The 2021 Loan Agreement provides for a \$75 million revolving credit facility with a \$5 million letter-of-credit sublimit and matures on October 29, 2023. The 2021 Loan Agreement is secured by substantially all of the Company's assets. Borrowings under the 2021 Loan Agreement bear interest at a rate equal to one (1) month U.S. LIBOR, plus a spread based upon the Company's leverage (as defined by 2021 Loan Agreement), which may vary between 2.00% and 2.75%. As of September 30, 2022, the interest rate was 5.92%. The 2021 Loan Agreement is subject to various leverage and non-financial covenants. No amounts were outstanding under the 2021 Loan Agreement as of September 30, 2022.

9. Leases and Contingencies

The Company conducts its operations in leased office facilities under various noncancelable operating lease agreements that expire through December 2029.

On October 26, 2017, the Company entered into a Third Amendment (the "Third Amendment") to the lease agreement for office space in Newton, Massachusetts, dated as of August 4, 2009 (the "Newton Lease"). The Third Amendment extended the lease term to December 31, 2029 and preserves the Company's option to extend the term for an additional five-year period subject to certain terms and conditions set forth in the Newton Lease. The Third Amendment reduced the rentable space from approximately 110,000 square feet to approximately 74,000 square feet effective January 1, 2018. As of January 1, 2018, base monthly rent under the Third Amendment is \$0.3 million. The base rent increases biennially at a rate averaging approximately 1% per year, as of January 1, 2021. The Company remains responsible for certain other costs under the Third Amendment, including operating expense and taxes.

In April 2021, the Company entered into a Fourth Amendment (the "Fourth Amendment"). The Fourth Amendment became effective during May 2021. The Fourth Amendment reduced the rentable space from approximately 74,000 square feet to approximately 68,000 square feet and provided the Company with a one-time payment of approximately \$0.6 million. As of May 1, 2021, base monthly rent is approximately \$0.3 million per month. All other terms and conditions are substantially similar to those terms in the Third Amendment.

Certain of the Company's operating leases, including the Newton Lease, include lease incentives and escalating payment amounts and are renewable for varying periods. The Company recognizes the related rent expense on a straight-line basis over the term of each lease, taking into account the lease incentives and escalating lease payments.

The Company has various non-cancelable lease agreements for certain of its offices with original lease periods expiring between 2022 and 2029. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain it will exercise that option. Leases with renewal options allow the Company to extend the lease term typically between 1 and 5 years. When determining the lease term, renewal options reasonably certain of being exercised are included in the lease term. When determining if a renewal option is reasonably certain of being exercised, the Company considers several economic factors, including but not limited to, the significance of leasehold improvements incurred on the property, whether the asset is difficult to replace, underlying contractual obligations, or specific characteristics unique to that particular lease that would make it reasonably certain that the Company would exercise such option. Renewal and termination options were generally not included in the lease term for the Company's existing operating leases. Certain of the arrangements have discounted rent periods or escalating rent payment provisions. Leases with an initial term of twelve months or less are not recorded on the condensed consolidated balance sheets. The Company recognizes rent expense on a straight-line basis over the lease term.

The Company assesses its lease right-of-use assets for impairment consistent with its impairment assessment of other long-lived assets. The Company entered into a sublease agreement for an office leased by BrightTALK Inc during the quarter. As a result of the sublease transaction, the Company recorded a lease impairment charge of \$0.2 million, which was the excess of the carrying value of the associated lease right-of-use asset over its estimated fair value. The Company estimated the fair value using discounted cash flows from expected sublease rental income. The impairment charge is included in other expenses in the condensed consolidated statements of income and consolidated income during the three and nine months ended September 30, 2022.

As of September 30, 2022, operating lease assets were \$21.1 million and operating lease liabilities were \$25.0 million. The maturities of the Company's operating lease liabilities as of September 30, 2022 were as follows:

Years Ending December 31:	Minimum Lease Payments	
2022 (October 1 – December 31)	\$	1,240
2023		4,825
2024		4,786
2025		3,850
2026		3,714
Thereafter		9,930
Total future minimum lease payments		28,345
Less imputed interest		3,313
Total operating lease liabilities	\$	25,032
Included in the Consolidated Balance Sheet:		
Current operating lease liability	\$	3,775
Non-current operating lease liability		21,257
Total operating lease liabilities	\$	25,032

For the three and nine months ended September 30, 2022 and 2021, the total lease cost was comprised of the following amounts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense	\$ 1,029	\$ 1,109	\$ 2,883	\$ 3,362
Short-term lease expense	7	37	18	179
Total lease expense	\$ 1,036	\$ 1,146	\$ 2,901	\$ 3,541

The following summarizes additional information related to operating leases:

	As of September 30, 2022
Weighted-average remaining lease term — operating leases	3.8
Weighted-average discount rate — operating leases	3.5%

If the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate. The Company uses its best judgment when determining the incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term to the lease payments in a similar currency.

Litigation

From time to time and in the ordinary course of business, the Company may be subject to various claims, charges, and litigation. At September 30, 2022 and December 31, 2021, the Company did not have any pending claims, charges, or litigation that it expects would have a material adverse effect on its condensed consolidated financial position, results of operations, or cash flows.

10. Stock-Based Compensation

Stock Option and Incentive Plans

In April 2007, the Company's board of directors approved the 2007 Stock Option and Incentive Plan (the "2007 Plan"), which was approved by the stockholders of the Company and became effective upon the consummation of the Company's IPO in May 2007. The 2007 Plan allowed the Company to grant incentive stock options ("ISOs"), non-qualified stock options ("NSOs"), stock appreciation rights, deferred stock awards, restricted stock units and other awards. Under the 2007 Plan, stock options could not be granted at less than fair market value on the date of grant and grants generally vested over a three- to four-year period. Stock options granted under the 2007 Plan expire no later than ten years after the grant date. Additionally, beginning with awards made in August 2015, the Company had the option to direct a net issuance of shares for satisfaction of tax liability with respect to vesting of awards and delivery of shares. Prior to August 2015, this choice of settlement method was solely at the discretion of the award recipient. The 2007 Plan expired in May 2017.

No new awards may be granted under the 2007 Plan; however, the shares of common stock remaining in the 2007 Plan are available for issuance in connection with previously awarded grants under the 2007 Plan. There are 25,000 shares of common stock that remain subject to outstanding stock grants under the 2007 Plan as of September 30, 2022.

In March 2017, the Company's board of directors approved the 2017 Stock Option and Incentive Plan (the "2017 Plan"), which was approved by the stockholders of the Company at the 2017 Annual Meeting and became effective June 16, 2017. The 2017 Plan replaces the Company's 2007 Plan. On June 16, 2017, 3,000,000 shares of the Company's common stock were reserved for issuance under the 2017 Plan and, generally, shares that are forfeited or canceled from awards under the 2017 Plan also will be available for future awards. In April 2021, the stockholders of the Company authorized the issuance of up to an additional 3,800,000 shares of the Company's common stock under the 2017 Plan. Under the 2017 Plan, the Company may grant restricted stock and restricted stock units, non-qualified stock options, stock appreciation rights, performance awards, and other stock-based and cash-based awards. Grants generally vest in equal tranches over a three-year period. Stock options granted under the 2017 Plan expire no later than ten years after the grant date. Shares of stock issued pursuant to restricted stock awards are restricted in that they are not transferable until they vest. Shares of stock underlying awards of restricted stock units are not issued until the units vest. Non-qualified stock options cannot be exercised until they vest. Under the 2017 Plan, all stock options and stock appreciation rights must be granted with an exercise price that is at least equal to the fair market value of the common stock on the date of grant. The 2017 Plan broadly prohibits the repricing of options and stock appreciation rights without stockholder approval and requires that no dividends or dividend equivalents be paid with respect to options or stock appreciation rights. The 2017 Plan further provides that, in the event any dividends or dividend equivalents are declared with respect to restricted stock, restricted stock units, other stock-based awards and performance awards (referred to as "full-value awards"), such dividends or dividend equivalents would be subject to the same vesting and forfeiture provisions as the underlying award. There are a total of 1,962,399 shares of common stock that remain subject to outstanding stock-based grants under the 2017 Plan as of September 30, 2022. A total of 2,292,135 shares of common stock remain available for issuance under the 2017 Plan as of September 30, 2022.

Employee Stock Purchase Plan

In April 2022, the Company's board of directors approved the TechTarget, Inc. 2022 Employee Stock Purchase Plan (the "ESPP"), which was approved by the stockholders of the Company at the 2022 Annual Meeting of Stockholders and became effective June 7, 2022. On June 7, 2022, 600,000 shares of the Company's common stock were reserved for issuance under the ESPP. After the initial offering period of three months, commencing September 1, 2022, eligible employees will be offered shares of common stock over a twelve-month offering period, which consists of two consecutive six-month purchase periods. Employees may purchase a limited amount (up to \$25,000) of shares of the Company's common stock under the ESPP at a discount of up to 15% of the lesser of the market value of the common stock at either (a) the beginning of the six-month purchase period during which the shares of common stock are purchased or (b) the end of such six-month purchase period. As of September 30, 2022, all 600,000 shares of common stock remain available for issuance under the ESPP.

Accounting for Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of an award.

The expected volatility of options granted has been determined using a weighted average of the historical volatility of the Company's common stock for a period equal to the expected life of the option. The expected life of options has been determined utilizing the "simplified" method. The risk-free interest rate is based on a zero coupon U.S. treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero. The Company applied an estimated annual forfeiture rate based on historical averages in determining the expense recorded in each period.

A summary of the stock option activity under the Company's plans for the nine months ended September 30, 2022 is presented below:

Nine Month Activity	Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value ⁽¹⁾
Options outstanding at December 31, 2021	125,000	\$ 25.49	—	—
Granted	22,500	74.70	—	—
Exercised	(12,500)	7.87	—	—
Forfeited	—	—	—	—
Cancelled	—	—	—	—
Options outstanding at September 30, 2022	135,000	\$ 35.32	6.58	\$ 3,727
Options exercisable at September 30, 2022	112,500	\$ 27.45	5.97	\$ 3,727
Options vested or expected to vest at September 30, 2022	133,821	\$ 34.99	6.56	\$ 3,727

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair value of the Company's common stock on September 30, 2022 of \$59.20 per share and the exercise price of the underlying options. The total intrinsic value of options exercised was \$772 thousand and \$154 thousand during the nine months ended September 30, 2022 and September 30, 2021, respectively.

The total amount of cash received from exercise of these options was approximately \$98 thousand and \$16 thousand during the nine months ended September 30, 2022 and September 30, 2021, respectively.

Restricted Stock Units

Restricted stock units are valued at the market price of a share of the Company's common stock on the date of the grant. A summary of the restricted stock unit activity under the Company's plans for the nine months ended September 30, 2022 is presented below:

Year-to-Date Activity	Shares	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Nonvested outstanding at December 31, 2021	1,609,350	\$ 54.45	—
Granted	891,382	67.00	—
Vested	(873,033)	49.07	—
Forfeited	(42,300)	74.30	—
Nonvested outstanding at September 30, 2022	<u>1,585,399</u>	\$ 40.46	\$ 93,856

There were 873,033 restricted stock units with a total grant-date fair value of \$42.8 million that vested during the nine months ended September 30, 2022. There were 695,445 restricted stock units with a total grant-date fair value of \$21.6 million that vested during the nine months ended September 30, 2021.

As of September 30, 2022, there was \$92.7 million of total unrecognized compensation expense related to stock options and restricted stock units, which is expected to be recognized over a weighted average period of 2.1 years.

Employee Stock Purchase Plan ("ESPP")

The initial offering period under the ESPP began September 1, 2022 and runs through November 30, 2022. The following table summarizes activity related to the purchase rights issued under the ESPP (in millions):

	September 30, 2022
Shares issued under the ESPP	—
Proceeds from issuance of shares	\$ —

Valuation Assumptions

The valuation of ESPP purchase rights and the underlying weighted-average assumptions are summarized as follows:

	September 30, 2022
ESPP:	
Expected term in years	0.25
Risk-free interest rate	2.72 %
Expected volatility	40 %
Expected dividend yield	— %
Weighted-average fair value per right granted	\$ 14.45

11. Stockholders' Equity

Common Stock Repurchase Programs

In May 2020, the Company announced that the board of directors had authorized a new stock repurchase program (the "May 2020 Repurchase Program") whereby the Company is authorized to repurchase shares of the Company's common stock having an aggregate purchase prices of up to \$25.0 million from time to time on the open market or in privately negotiated transactions at prices and in the manner determined by management. During the nine month period ended September 30, 2022, the Company repurchased 206,114 shares for an aggregate purchase price of \$14.2 million at an average share price of \$68.82 under the May 2020 Repurchase Program. The May 2020 Repurchase Program expired on May 1, 2022.

In May 2022, the Company announced that the board of directors had authorized a new stock repurchase program (the “May 2022 Repurchase Program”) whereby the Company is authorized to repurchase shares of the Company’s common stock having an aggregate purchase prices of up to \$50.0 million from time to time on the open market or in privately negotiated transactions at prices and in the manner determined by management. During the nine month period ended September 30, 2022, the Company repurchased 501,366 shares for an aggregate purchase price of \$31.0 million at an average share price of \$61.89 under the May 2022 Repurchase Program.

Repurchased shares are recorded under the cost method and are reflected as treasury stock in the accompanying Condensed Consolidated Balance Sheets.

Reserved Common Stock

As of September 30, 2022, the Company has reserved (i) 4,279,534 shares of common stock for use in settling outstanding unexercised options and restricted stock units that have not vested and been issued, and for future awards available for grant under the 2007 Plan and 2017 Plan, (ii) 600,000 shares of common stock for use in settling common stock acquired under the ESPP and (iii) 5,349,987 shares which may be issuable upon conversion of the Notes.

12. Income Taxes

The Company measures its interim period tax expense using an estimated annual effective tax rate and adjustments for discrete taxable events that occur during the interim period. The estimated annual effective income tax rate is based upon the Company’s estimations of annual pre-tax income, the geographic mix of pre-tax income, and its interpretations of tax laws. The Company updates the estimate of its annual effective tax rate at the end of each quarterly period. The Company recorded income tax expense of \$3.4 million and \$12.1 million for the three and nine months ended September 30, 2022, respectively. The tax expense for the three months ended September 30, 2022 increased by approximately \$6.5 million, as compared to the same period in 2021, primarily due to higher pretax income that resulted in a \$3.8 million increase in tax expense based on projected effective tax rate and a \$2.6 million decrease in excess tax benefits of stock-based compensation. The tax expense for the nine months ended September 30, 2022 increased by approximately \$8.1 million, as compared to the same period in 2021, primarily due to higher pretax income that resulted in an \$8.5 million increase in tax expense based on projected effective tax rate and a \$2.5 million decrease in excess tax benefits of stock-based compensation and shortfalls, offset by an approximate \$3.2 million decrease attributable to the UK tax rate adjustment. The Company recorded income tax expense (benefit) of \$(3.1) million and \$4.0 million for the three and nine months ended September 30, 2021, respectively.

13. Segment Information

The Company views its operations and manages its business as one operating segment which is the business of providing purchase intent marketing and sales services. The Company aggregated its operating segment based upon the similar economic and operating characteristics of its operations.

Geographic Data

Net sales by campaign target area were as follows (1):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
North America	\$ 49,532	\$ 41,852	\$ 143,289	\$ 114,306
International	27,880	27,899	81,164	72,125
Total	<u>\$ 77,412</u>	<u>\$ 69,751</u>	<u>\$ 224,453</u>	<u>\$ 186,431</u>

(1) Net sales to customers by campaign target area is based on the geo-targeted (target audience) location of the campaign.

Net sales to unaffiliated customers by geographic area were as follows (2):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
United States	\$ 58,943	\$ 49,440	\$ 169,418	\$ 132,709
United Kingdom	7,866	9,453	23,437	26,426
Other international	10,603	10,858	31,598	27,296
Total	<u>\$ 77,412</u>	<u>\$ 69,751</u>	<u>\$ 224,453</u>	<u>\$ 186,431</u>

- (2) Net sales to unaffiliated customers by geographic area is based on the customers' current billing addresses and does not consider the geo-targeted (target audience) location of the campaign.

Long-lived assets by geographic area were as follows:

	September 30, 2022	December 31, 2021
United States	\$ 226,157	\$ 224,235
International	79,406	101,948
Total	<u>\$ 305,563</u>	<u>\$ 326,183</u>

Long-lived assets are comprised of property and equipment, net; goodwill; and intangible assets, net. The United Kingdom accounted for 26% of the Company's long-lived assets for the nine months ended September 30, 2022 and no single country outside of the U.S. or United Kingdom accounted for 1% or more of the Company's long-lived assets during either of these periods.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including those discussed below in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2021 under Part I, Item 1A, "Risk Factors," and in the other documents we file with the Securities and Exchange Commission. Please refer to our cautionary note regarding "Forward-Looking Statements" section on page 36 of this Quarterly Report on Form 10-Q.

Overview

TechTarget, Inc. ("we", "us" or "our") is a global data and analytics leader and software provider for purchase intent-driven marketing and sales data which delivers business impact for business-to-business ("B2B") companies. Our solutions enable B2B technology companies to identify, reach, and influence key enterprise technology decision makers faster and with higher efficacy. We offer products and services intended to improve information technology ("IT") vendors' abilities to impact highly targeted audiences for business growth using advanced targeting, first-party analytics and data services complemented with customized marketing programs that integrate content creation, demand generation, brand marketing, and advertising techniques.

Our goal is to enable enterprise technology and business professionals to navigate the complex and rapidly-changing enterprise technology landscape where purchasing decisions can have significant financial and operational consequences. Our content strategy includes three primary sources which enterprise technology and business professionals use to assist them in their pre-purchase research: independent content provided by our professionals, vendor-generated content provided by our customers and member-generated, or peer-to-peer, content. In addition to utilizing our independent editorial content, registered members and users appreciate the ability to deepen their pre-purchase research by accessing the extensive vendor-supplied content available across our virtual event and webinar channels and website network (collectively, our "Network"). Likewise, these members and users derive significant additional value from the ability our Network provides to seamlessly interact with and contribute to information exchanges in a given field. To advance our ability to provide purchase intent-driven marketing and sales data, we have been acquisitive over the last two years. During 2021, we acquired Xtelligent Healthcare Media, LLC, a leading healthcare B2B media company focusing on healthcare-related technology. Similarly, during 2020, we acquired (i) BrightTALK Limited, a technology media company that provides customers with a platform to create, host and promote webinar and video content, (ii) The Enterprise Strategy Group, Inc., a leading provider of decision support content based on user research and market analysis for global enterprise companies, and (iii) Data Science Central, LLC, a digital publishing and media company focused on data science and business analytics.

We had approximately 29.9 million and 28.2 million registered members and users, which we refer to as our "audiences", as of September 30, 2022 and 2021, respectively. While the size of our audiences does not provide direct insight into our customer numbers or our revenue, we believe the value of the services we sell to our customers is a direct result of the breadth and reach of this content footprint. This footprint creates the opportunity for our clients to gain business leverage by targeting our audiences through customized marketing programs. Likewise, the behavior exhibited by these audiences enables us to provide our customers with data products to improve their marketing and sales efforts. The targeted nature of our audiences enables B2B technology companies to reach a specialized audience efficiently because our content is highly segmented and aligned with the B2B technology companies' specific products.

Through our ability to identify, reach and influence key decision makers, we have developed a broad customer base and, in 2022 expect to deliver marketing and sales services programs to over 3,200 customers.

COVID-19 Business Update

In the first quarter of 2020, we began to see the impacts of the COVID-19 pandemic on our business. As local and national actions, such as stay at home mandates, took effect, we began to see the macro-economic uncertainty that the COVID-19 pandemic created, which impacted our customers' purchasing decisions. We observed our customers navigate this economic uncertainty through a combination of strategies, including focusing their buying decisions on shorter duration contracts.

While the COVID-19 pandemic has not had a material adverse impact on our operations, the future course of the pandemic and any potential financial impact remain highly uncertain and continue to evolve. Even after the easing of governmental restrictions, as the severity of the COVID-19 pandemic lessens, we could experience further fluctuations in our results of operations and cash flows resulting from the ongoing global impacts of the pandemic and our customers' realignment of their marketing and sales budgets.

Our priorities remain ensuring the health and safety of our employees, customers, vendors, members, stockholders, and other stakeholders, while delivering our content and services to our customers around the world and continuing to drive long-term growth.

Executive Summary

Financial Results For the Nine Months Ended September 30, 2022

Our revenue for the nine months ended September 30, 2022 increased by \$38.0 million, or 20%, to \$224.5 million, compared with \$186.4 million, during the same period in 2021. We saw increased customer spend across our product suite. Additionally, we were able to recognize revenues associated with the renewal of acquired customer contracts previously recorded as unearned revenue, as further highlighted in the table below (see “Adjusted Revenue”). The amount of revenue that we derived from longer-term contracts, which we define as contracts with a term of in excess of 270 days, in the third quarter of 2022 increased 25%, compared to the third quarter of 2021.

Our international geo-targeted revenue, where our target audience is outside North America (“International”), increased approximately 13% for the nine months ended September 30, 2022, compared with the prior year period driven by the items noted above.

Gross profit percentage was 74% and 72% for the nine months ended September 30, 2022 and 2021, respectively. Gross profit increased by \$30.6 million, mainly due to the increase in revenue compared to the same period a year ago.

Business Trends

The following discussion highlights key trends affecting our business.

- **Macro-economic Conditions.** Because most of our customers are B2B technology companies, the success of our business is intrinsically linked to the health, and subject to the market conditions, of the IT industry. Despite the current uncertainty in the economy (i.e. inflation risks, rising interest rates, and Russia’s invasion of the Ukraine), there are several factors indicating positive IT spending over the next few years is likely. We believe there are several IT catalysts such as AI, security, data analytics, and cloud migrations, to name a few. We continued to benefit from our customers’ increasing demand for purchase intent data to fuel their sales and marketing outreach and we finished Q2 with positive momentum. However, Q3 is historically slower in July and August, so it is seasonally our most back loaded quarter of the year. Typically, September is a healthy bookings month for us and a key to our Q3 and Q4 performance. This year, the usual post Labor Day burst did not materialize. This weakness has continued through October and November and is expected to continue into 2023. Our growth continues to be driven in large part by the return on the investments we made in our data analytics suite of products, which continues to drive market share gains for us. While we will continue to invest in this growth area, management will also continue to carefully control discretionary spending such as travel and entertainment, and the filling of new and replacement positions, in an effort to maintain profit margins and cash flow.
- **Industry Trends.** Our customers continue to support initiatives to modernize their sales and marketing operations. Based on our conversations with customers and prospects, we believe the vast majority have a strategic initiative to modernize their “go to market” strategy. Additionally, we believe we have benefited from the migration of face-to-face events to online channels. This trend was massively accelerated by COVID-19 forcing the cancelation of most face-to-face events in 2020 and 2021. Although some believe face-to-face events will return to pre-COVID-19 levels, we do not agree. First, the face-to-face events business had been in a long, steady decline before the COVID-19 pandemic. While some customers have told us that their sales people like attending face-to-face events, which is understandable, our research shows that a growing number of buyers do not share that sentiment. In fact, a majority of younger buyers prefer to conduct as much of the sales process in “self-service” mode as possible. We expect that our products and services that benefitted from this trend will continue to grow in the future. While we concede that there will be larger face-to-face event budgets in 2022 than during 2021 and 2020, we do not expect them to affect our growth targets.
- **Customer Demographics.** In the three and nine months ended September 30, 2022, revenue from our legacy global customers (a static cohort comprised of our 10 historically largest on premises hardware technology companies), decreased by approximately 1% and increased by 5%, respectively, compared to the same period in the prior year. The metric measures the year-over-year increase in GAAP revenue from this cohort of customers and is calculated by dividing the GAAP revenue from this cohort of customers for the current year by the GAAP revenue from this cohort of customers for the prior year. We use this information to monitor customer concentration trends within the Company, which we deem an important metric for evaluating revenue diversification. Revenue from our other customers, excluding the legacy global customers described

above, increased by approximately 10% and 17%, respectively, compared to the same three and nine month periods in the prior year.

Our key strategic initiatives include:

- **Geographic.** During the three and nine months ended September 30, 2022, approximately 36% of our revenue was derived from internationally targeted campaigns, respectively. We continue to explore initiatives to grow our international presence.
- **Product.** Purchase intent data continues to drive our product road strategy. During the remainder of 2022 and beyond, we intend to improve our customers' ability to integrate our products into Salesforce with bi-directional data flow, allow campaign orchestration from within Priority Engine, generate additional program impact reporting, receive market insights to inform marketing and sales outreach and add alert-driven account and prospect intelligence for our sales users.

Our revenue was up 11% and 20% for the three and nine months ended September 30, 2022 respectively, compared to the same period in the prior year, which was primarily driven by the factors noted above, as well as the portion of revenue we were not allowed to recognize in the same period in the prior year (See "Adjusted Revenue").

Sources of revenues

Revenue changes for the three and nine month periods ended September 30, 2022, as compared to the same periods in 2021, are shown in the table below. See the discussion above and Notes 3 and 13 to our condensed consolidated financial statements for additional information on our revenues.

(dollars in thousands)	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2022	2021		2022	2021	
North America	\$ 49,532	\$ 41,852	18%	\$ 143,289	\$ 114,306	25%
International	27,880	27,899	0%	81,164	72,125	13%
Total	\$ 77,412	\$ 69,751	11%	\$ 224,453	\$ 186,431	20%

(dollars in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue under short-term contracts	\$ 44,444	\$ 44,032	\$ 130,726	\$ 113,241
Revenue under longer-term contracts	32,968	25,719	93,727	73,190
Total	\$ 77,412	\$ 69,751	\$ 224,453	\$ 186,431

We sell customized marketing programs to B2B technology companies targeting a specific audience within a particular enterprise technology or business sector or sub-sector. We maintain multiple points of contact with our customers to provide support throughout their organizations and their customers' IT sales cycles. As a result, our customers often run multiple advertising programs with us in order to target their desired audience of enterprise technology and business professionals more effectively. There are multiple factors that can impact our customers' marketing and advertising objectives and spending with us, including but not limited to, IT product launches, increases or decreases to their advertising budgets, the timing of key industry marketing events, responses to competitor activities and efforts to address specific marketing objectives such as creating brand awareness or generating sales leads. Our products and services are generally delivered under short-term contracts that run for the length of a given program, typically less than nine months. In the quarter ended September 30, 2022 approximately 43% of our revenue was from longer-term contracts.

Product and Service Offerings

We use our offerings to provide B2B technology companies with numerous touch points to identify, reach and influence key enterprise technology decision makers. The following is a description of the products and services we offer:

- **IT Deal Alert™.** A suite of data and services for B2B technology companies that leverages the detailed purchase intent data that we collect on enterprise technology organizations and professionals researching IT purchases on our Network. Through proprietary scoring methodologies, we use this insight to help our customers identify and prioritize accounts and contacts whose content consumption around specific enterprise technology topics indicates that they are "in-market" for a particular

product or service. The suite of products and services includes Priority Engine™, Qualified Sales Opportunities™, and Deal Data™. Priority Engine™ is a subscription service powered by our Activity Intelligence™ platform, which integrates with customer relationship management and marketing automation platforms from salesforce.com, Marketo, Eloqua, Pardot, and Integrate. The services are designed to deliver lead generation workflow solutions that enable marketers and sales forces to identify and understand accounts and individuals actively researching new technology purchases and then to engage those active prospects. Qualified Sales Opportunities™ is a product that profiles specific in-progress purchase projects, including information on scope and purchase considerations. Deal Data™ is a customized solution aimed at sales intelligence and data scientist functions within our customer organizations. It renders our Activity Intelligence™ data into one-time offerings directly consumable by the customer's internal applications.

- *Demand Solutions.* Our offerings enable our customers to reach and influence prospective buyers through content marketing programs, such as white papers, webcasts, podcasts, videocasts, virtual trade shows, and content sponsorships, designed to generate demand for their solutions, and through display advertising and other brand programs that influence consideration by prospective buyers. We believe this allows B2B technology companies to maximize ROI on marketing and sales expenditures by capturing sales leads from the distribution and promotion of content to our audience of enterprise technology and business professionals.
- *Brand Solutions.* Our suite of brand solutions offerings provides B2B technology companies with direct exposure to targeted audiences of enterprise technology and business professionals actively researching information related to their products and services. We leverage our Activity Intelligence™ platform to enable significant segmentation and targeting of specific audiences that can be accessed through these programs. Components of brand programs may include on-network branding, off-network branding, and microsites and related formats.
- *Custom Content Creation.* We also at times create white papers, case studies, webcasts or videos to our customers' specifications. These customized content assets are then promoted to our audience within both demand solutions and brand solutions programs.
- *BrightTALK platform.* Allows our customers to create, host and promote webinars, virtual events and video content.

Cost of Revenue, Operating Expenses, and Other

Expenses consist of cost of revenue, selling and marketing, product development, general and administrative, depreciation and amortization, and interest and other expense, net. Personnel-related costs are a significant component of each of these expense categories except for depreciation and amortization and interest and other expense, net.

Cost of Revenue. Cost of revenue consists primarily of: salaries and related personnel costs; member acquisition expenses (primarily keyword purchases from leading internet search sites); freelance writer expenses; website hosting costs; vendor expenses associated with the delivery of webcast, podcast, videocast and similar content, and other offerings; stock-based compensation expenses; facility expenses, and other related overhead.

Selling and Marketing. Selling and marketing expenses consist primarily of: salaries and related personnel costs; sales commissions; travel-related expenses; stock-based compensation expenses; facility expenses and other related overhead. Sales commissions are recorded as expense when earned by the employee.

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

General and Administrative. General and administrative expenses consist primarily of salaries and related personnel costs; facility expenses and related overhead; accounting, legal and other professional fees; and stock-based compensation expenses.

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

Amortization. Amortization expense consists of the amortization of intangible assets recorded in connection with our acquisitions, including changes in the value of contingent consideration in relation to certain of the acquisitions. Separable intangible assets that are

not deemed to have an indefinite life are amortized over their estimated useful lives, which range from eighteen months to nineteen years, using methods that are expected to reflect the estimated pattern of economic use.

Interest and Other Expense, Net. Interest expense, net consists primarily of interest costs and the related amortization of deferred issuance costs on our Notes and amounts borrowed under our current and our prior loan agreements and amortization of premiums on our investments, less any interest income earned on cash, cash equivalents and short-term investments. We historically have invested our cash in money market accounts, municipal bonds, government agency bonds, U.S. Treasury securities, and corporate bonds. Other expense, net consists primarily of non-operating gains or losses, primarily related to realized and unrealized foreign currency gains and losses on trade assets and liabilities.

Non-GAAP Financial Measure

We use Adjusted Revenue, a non-GAAP financial measure to assist us in evaluating our operating performance to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate our financial performance. We believe that non-GAAP Adjusted Revenue reflects our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business. We also believe that this non-GAAP measure provides useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management and in comparing financial results across accounting periods. Regulation S-K Item 10(e), "Use of non-GAAP financial measures in Commission filings," defines and prescribes the conditions for use of non-GAAP financial information.

A limitation of our non-GAAP financial measure of Adjusted Revenue is that it does not have a uniform definition. Our definition will likely differ from the definitions used by other companies, and therefore comparability may be limited.

We compensate for these limitations by reconciling the non-GAAP financial measure to GAAP revenue, the most comparable GAAP financial measure. Adjusted Revenue should be considered in addition to, not as a substitute for or in isolation from, GAAP revenue. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure, and to view our non-GAAP financial measure in conjunction with the most comparable GAAP financial measure.

Adjusted Revenue

We define Adjusted Revenue as the sum of revenue and the impact of fair value adjustments to acquired unearned revenue related to services billed by an acquired company prior to its acquisition. Management uses this measure to evaluate growth of the business period over period, excluding the impact of adjustments due to purchase accounting. We believe that it is important to evaluate growth on this basis. We expect our Adjusted Revenue to converge over time with our GAAP revenue.

The following table presents a reconciliation of Revenue to Adjusted Revenue:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 77,412	\$ 69,751	\$ 224,453	\$ 186,431
Impact of fair value adjustment on acquired unearned revenue	—	1,762	1,676	10,058
Adjusted Revenue	<u>\$ 77,412</u>	<u>\$ 71,513</u>	<u>\$ 226,129</u>	<u>\$ 196,489</u>
Revenue percentage change	11 %		20 %	
Adjusted revenue percentage change	8 %		15 %	

Application of Critical Accounting Policies and Use of Estimates

The discussion of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, long-lived assets, goodwill, allowance for doubtful accounts, stock-based compensation, contingent liabilities, self-insurance accruals and income taxes. We base our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions.

that we believe to be reasonable. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies are those that affect our more significant judgments used in the preparation of our condensed consolidated financial statements. A description of our critical accounting policies and estimates is contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Other than those noted in Note 2 to our condensed consolidated financial statements, there were no material changes to our critical accounting policies and estimates during the first nine months of 2022.

Income Taxes

We are subject to income taxes in both the U.S. and foreign jurisdictions, and we use estimates in determining our provision for income taxes. We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates expected to be in effect when such differences are settled.

Our net deferred tax liabilities are comprised primarily of book to tax differences on stock-based compensation, intangible asset basis, net operating loss carryforwards, valuation allowance and timing of deductions for right-of-use assets and lease liabilities, accrued expenses, depreciation, and amortization.

Results of Operations

The following table sets forth our results of operations for the periods indicated, including percentage of total revenue:

(dollars in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
Revenue	\$ 77,412	100 %	\$ 69,751	100 %	\$ 224,453	100 %	\$ 186,431	100 %
Cost of revenue	19,118	25 %	16,805	24 %	56,715	25 %	49,087	26 %
Amortization of acquired technology	654	1 %	766	1 %	2,097	1 %	2,307	1 %
Gross profit	57,640	74 %	52,180	75 %	165,641	74 %	135,037	72 %
Operating expenses:								
Selling and marketing	25,982	34 %	25,403	36 %	75,035	33 %	69,108	37 %
Product development	2,791	4 %	2,790	4 %	8,990	4 %	8,247	4 %
General and administrative	8,520	11 %	13,432	19 %	24,051	11 %	26,075	14 %
Depreciation	1,847	2 %	1,454	2 %	5,279	2 %	4,063	2 %
Amortization	120	0 %	1,969	3 %	4,109	2 %	5,257	3 %
Total operating expenses	39,260	51 %	45,048	65 %	117,464	52 %	112,750	60 %
Operating income	18,380	24 %	7,132	10 %	48,177	21 %	22,287	12 %
Interest and other income (expense), net	(109)	0 %	(199)	0 %	(1,653)	-1 %	(1,381)	-1 %
Income before provision for income taxes	18,271	24 %	6,933	10 %	46,524	21 %	20,906	11 %
(Benefit) Provision for income taxes	3,430	4 %	(3,051)	-4 %	12,104	5 %	3,992	2 %
Net income	<u>\$ 14,841</u>	<u>19 %</u>	<u>\$ 9,984</u>	<u>14 %</u>	<u>\$ 34,420</u>	<u>15 %</u>	<u>\$ 16,914</u>	<u>9 %</u>

Comparison of Three Months Ended September 30, 2022 and September 30, 2021

Revenue

(dollars in thousands)	Three Months Ended September 30,				Percent Change
	2022	2021	Increase		
Revenue	\$ 77,412	\$ 69,751	\$ 7,661		11 %

Revenues for the three months ended September 30, 2022 increased by \$7.7 million, or 11%, over the three months ended September 30, 2021, primarily due to the following:

- Addition of new customers during 2022. Our customer count expanded to approximately 3,200 from approximately 2,300 as of September 30, 2021, an increase of approximately 39%, resulting in increased revenues of approximately \$11.6 million.

- Our existing customers decreased their spend by approximately \$5.7 million.
- Revenues increased by \$1.8 million due to the renewal of acquired customer contracts previously recorded as unearned revenue.

Cost of Revenue and Gross Profit

(dollars in thousands)	Three Months Ended September 30,			
	2022	2021	Increase (Decrease)	Percent Change
Cost of revenue	\$ 19,118	\$ 16,805	\$ 2,313	14 %
Amortization of acquired technology	654	766	(112)	-15 %
Total cost of revenue	<u>\$ 19,772</u>	<u>\$ 17,571</u>	<u>\$ 2,201</u>	<u>13 %</u>
Gross profit	\$ 57,640	\$ 52,180	\$ 5,460	10 %
Gross profit percentage	74 %	75 %		

Costs of Revenues. Costs of Revenues for the three months ended September 30, 2022 increased by \$2.3 million as compared to the three months ended September 30, 2021 primarily due to the following:

- \$1.0 million increase in variable costs attributable to contracted costs related to fulfilling campaigns;
- \$672 increase in labor and related costs;
- \$310 increase in stock compensation; and
- \$201 increase in depreciation expense.

Gross Profit. Our gross profit is equal to the difference between our revenue and our cost of revenue for the period. Gross profit percentage was 74% and 75% for the three months ended September 30, 2022 and 2021, respectively. Gross profit increased by \$5.5 million in the three months ended September 30, 2022 compared to the same period in 2021, primarily due to increased revenue compared to the same period a year ago. Because the majority of our costs are labor-related, we expect our gross profit to fluctuate from period to period depending on the total revenue for the period.

Operating Expenses and Other

(dollars in thousands)	Three Months Ended September 30,			
	2022	2021	Increase (Decrease)	Percent Change
Operating expenses:				
Selling and marketing	\$ 25,982	\$ 25,403	\$ 579	2 %
Product development	2,791	2,790	1	0 %
General and administrative	8,520	13,432	(4,912)	-37 %
Depreciation	1,847	1,454	393	27 %
Amortization	120	1,969	(1,849)	-94 %
Total operating expenses	<u>\$ 39,260</u>	<u>\$ 45,048</u>	<u>\$ (5,788)</u>	<u>-13 %</u>
Interest and other expense, net	<u>\$ 109</u>	<u>\$ 199</u>	<u>\$ (90)</u>	<u>-45 %</u>
(Benefit) Provision for income taxes	<u>\$ 3,430</u>	<u>\$ (3,051)</u>	<u>\$ 6,481</u>	<u>212 %</u>

Selling and Marketing. Selling and marketing expenses increased for the three months ended September 30, 2022, as compared to the same period in 2021, primarily due to a \$1.0 million increase in stock-based compensation expense offset by a \$0.5 million decrease in pay related expenses.

Product Development. Product development expenses remained relatively flat for the three months ended September 30, 2022, as compared to the same period in 2021.

General and Administrative. General and administrative expenses decreased for the three months ended September 30, 2022, as compared to the same period in 2021, primarily due to a \$5.1 million decrease in stock-based compensation costs.

Depreciation. Depreciation expense increased for the three months ended September 30, 2022, as compared to the same period in 2021, due to increased capitalized software expenses.

Amortization. Amortization expense decreased for the three months ended September 30, 2022, as compared to the same period in 2021, due to a decrease in fair value of contingent consideration.

Interest and other expense, net. Interest and other expense decreased for the three months ended September 30, 2022, as compared to the same period in 2021, primarily due to amortization of debt issuance costs and currency fluctuations from trade receivables.

Provision for income taxes. Our effective income tax rate was 19% and a benefit of 44% for the three months ended September 30, 2022 and 2021, respectively. The tax expense for the three months ended September 30, 2022 increased by approximately \$6.5 million primarily due to higher pretax income that resulted in a \$3.8 million increase in tax expense based on projected effective tax rate and a \$2.6 million decrease in excess tax benefits of stock-based compensation.

Comparison of Nine Months Ended September 30, 2022 and September 30, 2021

Revenue

(dollars in thousands)	Nine Months Ended September 30,			
	2022	2021	Increase	Percent Change
Revenues	\$ 224,453	\$ 186,431	\$ 38,022	20 %

Revenues. Revenues for the nine months ended September 30, 2022 (“fiscal 2022”) increased by \$38.0 million, or 20%, over the nine months ended September 30, 2021 (“fiscal 2021”), primarily due to the following:

- Addition of new customers during fiscal 2022. Our customer count expanded to approximately 3,200 from approximately 2,800 as of December 31, 2021, an increase of approximately 14%, resulting in an increase of approximately \$22.9 million.
- Our existing customers increased their spend by approximately \$6.8 million.
- Revenues increased by \$8.3 million due to the renewal of acquired customer contracts previously recorded as unearned revenue.

Cost of Revenue and Gross Profit

(dollars in thousands)	Nine Months Ended September 30,			
	2022	2021	Increase	Percent Change
Cost of revenue	\$ 56,715	\$ 49,087	\$ 7,628	16 %
Amortization of acquired technology	\$ 2,097	\$ 2,307	\$ (210)	-9 %
Total cost of revenue	\$ 58,812	\$ 51,394	\$ 7,418	14 %
Gross profit	\$ 165,641	\$ 135,037	\$ 30,604	23 %
Gross profit percentage	74 %	72 %		

Costs of Revenues. Costs of Revenues for the nine months ended September 30, 2022 increased by \$7.6 million as compared to the nine months ended September 30, 2021 primarily due to the following:

- \$3.2 million increase in variable costs attributable to contracted costs related to fulfilling campaigns;
- \$2.5 million increase in labor and related costs;
- \$822 increase in stock compensation; and
- \$651 increase in depreciation expense.

Gross Profit. Our gross profit is equal to the difference between our revenue and our cost of revenues for the period. Gross profit percentage was 74% and 72% for the nine months ended September 30, 2022 and 2021, respectively. Gross profit increased by \$30.6 million in the nine months ended September 30, 2022 compared to the same period in 2021. Both the increases in gross profit and gross profit percentage are primarily attributable to increased revenue compared to the same period a year ago. The majority of our costs are labor-related, so we expect our gross profit to fluctuate from period to period depending on the total revenue for the period.

Operating Expenses and Other

(dollars in thousands)	Nine Months Ended September 30,			
	2022	2021	Increase	Percent Change
Operating expenses:				
Selling and marketing	\$ 75,035	\$ 69,108	\$ 5,927	9 %
Product development	8,990	8,247	743	9 %
General and administrative	24,051	26,075	(2,024)	-8 %
Depreciation	5,279	4,063	1,216	30 %
Amortization	4,109	5,257	(1,148)	-22 %
Total operating expenses	\$ 117,464	\$ 112,750	\$ 4,714	4 %
Interest and other expense, net	\$ 1,653	\$ 1,381	\$ 272	20 %
Provision for income taxes	\$ 12,104	\$ 3,992	\$ 8,112	203 %

Selling and Marketing. Selling and marketing expenses increased for the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to a \$4.5 million increase in stock-based compensation expense and a \$1.6 million increase in pay related expenses.

Product Development. Product development expense increased for the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to higher contracted services and recruiting costs.

General and Administrative. General and administrative expense decreased for the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to a \$4.2 million decrease in stock-based compensation costs and pay related expenses, offset by a \$1.6 million increase in bad debt expense and increased other costs.

Depreciation. Depreciation expense increased for the nine months ended September 30, 2022, as compared to the same period in 2021, due to increased capitalized software expenditures.

Amortization. Amortization expense decreased for the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to a decrease in fair value of contingent consideration.

Interest and other expense, net. Interest and other expense increased for the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to right-of-use asset impairment expenses.

Provision for income taxes. Our effective income tax rate was 26% and 19% for the nine months ended September 30, 2022 and 2021, respectively. The increase in tax expense was primarily due to higher pretax income offset by excess tax benefits of stock-based compensation and UK tax rate adjustment, a discrete item. The tax expense for the nine months ended September 30, 2022 increased by approximately \$8.1 million primarily due to an increase in pretax income that resulted in a \$8.5 million increase in tax expense based on our projected effective tax rate and a \$2.5 million decrease in excess tax benefits of stock-based compensation and shortfalls, offset by an approximate \$3.2 million decrease attributable to the UK tax rate adjustment.

Seasonality

The timing of our revenues is affected by seasonal factors. Our revenues are seasonal primarily as a result of the annual budget approval process of many of our customers, the normal timing at which our customers introduce new products, and the historical decrease in advertising in summer months. The timing of revenues in relation to our expenses, much of which do not vary directly with revenues, has an impact on our cost of revenues, selling and marketing, product development, and general and administrative expenses as a percentage of revenues in each calendar quarter during the year.

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

Liquidity and Capital Resources

Resources

Our cash and investments at September 30, 2022 totaled \$384.3 million, a \$2.6 million increase from December 31, 2021, primarily driven by cash generated from our operations offset in part by investments in property and equipment and repurchases under stock buyback programs during 2022. We believe that our existing cash and investments, our cash flow from operating activities and borrowings under our 2021 Loan Agreement will be sufficient to meet our anticipated cash needs for at least the next twelve months. Our future working capital requirements will depend on many factors, including the operations of our existing business, our potential strategic expansion internationally, future acquisitions we might undertake and any expansion into complementary businesses. To the extent that our cash and investments and cash flow from operating activities are insufficient to fund our future activities, we may raise additional funds through additional bank credit arrangements or public or private equity or debt financings. We may also raise additional funds in the event we determine in the future to effect one or more additional acquisitions of businesses.

(dollars in thousands)	September 30, 2022	December 31, 2021
Cash and investments	\$ 384,260	\$ 381,699
Accounts receivable, net	\$ 60,720	\$ 51,095

Cash and Investments

Our cash and investments at September 30, 2022 were held for working capital purposes and were invested primarily in pooled bond funds. We do not enter into investments for trading or speculative purposes.

Accounts Receivable, Net

Our accounts receivable balance fluctuates from period to period, which affects our cash flows from operating activities. The fluctuations vary depending on the timing with which we meet our performance obligations and on the timing of our cash collections, as well as on changes to our allowance for doubtful accounts. We use days sales outstanding (“DSO”) as a measurement of the quality and status of our receivables since lower DSO is generally correlated with higher collection rates. We define DSO as net accounts receivable at quarter end divided by total revenue for the applicable period, multiplied by the number of days in the applicable period. DSO was 71 days and 60 days at September 30, 2022 and December 31, 2021, respectively.

Cash Flows

(dollars in thousands)	Nine Months Ended September 30,	
	2022	2021
Net cash provided by operating activities	\$ 70,920	\$ 57,086
Net cash used in investing activities	\$ (11,070)	\$ (38,592)
Net cash used in financing activities	\$ (54,718)	\$ (1,442)

Operating Activities

Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, provisions for bad debt, stock-based compensation, deferred income taxes, and the effect of changes in working capital and other activities. Cash provided by operating activities for the nine months ended September 30, 2022 was \$70.9 million compared to cash provided by operating activities of \$57.1 million for the nine months ended September 30, 2021.

The increase in cash provided by operating activities was primarily the result of increase in revenue, changes in working capital and stock-based compensation charged to earnings.

Investing Activities

Cash used in investing activities in the nine months ended 2022 and 2021 was \$11.1 million and \$38.6 million respectively and was driven by the purchase of property and equipment, primarily for internal-use software, and to a lesser extent, computer equipment. We capitalized internal-use software and website development costs of \$9.8 million and \$8.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Financing Activities

In the first nine months of 2022, we used \$54.7 million for financing activities, consisting primarily of \$5.2 million for the payment of contingent consideration related to our 2020 and 2021 acquisitions, \$4.4 million for tax withholdings related to net share settlements and \$45.2 million for the repurchase of TechTarget shares. In the first nine months of 2021, we used \$1.4 million for financing activities, consisting primarily of \$1.0 million for the payment of contingent consideration related to our 2020 and 2021 acquisitions and \$0.4 million for tax withholdings related to net share settlements.

Common Stock Repurchase Programs

In May 2020, we announced that our board of directors had authorized a \$25.0 million stock repurchase program (the “May 2020 Repurchase Program”) whereby we are authorized to repurchase shares of our common stock from time to time on the open market or in privately negotiated transactions at prices and in the manner determined by management. We repurchased 206,114 shares at an aggregate purchase price of \$14.2 million at an average share price of \$68.82 under the May 2020 Repurchase Program during 2022. The May 2020 Repurchase Program expired on May 1, 2022 with \$10.8 million in authorized remaining capacity.

In May 2022, we announced that our board of directors had authorized a stock repurchase program (the “May 2022 Repurchase Program”) whereby we are authorized to repurchase shares of our common stock having an aggregate purchase prices of up to \$50.0 million from time to time on the open market or in privately negotiated transactions at prices and in the manner determined by management. During the nine month period ended September 30, 2022, we repurchased 501,366 shares for an aggregate purchase price of \$31.0 million at an average share price of \$61.89 under the May 2022 Repurchase Program. As of September 30, 2022, \$19.0 million remained available under the May 2022 Repurchase Program.

In November 2022, we announced that our board of directors had authorized a new repurchase program (the “November 2022 Repurchase Program”) where we are authorized to repurchase shares of our common stock and convertible senior notes having an aggregate purchase price of up to \$200.0 million from time to time on the open market or in privately negotiated transactions at prices and in the manner determined by management over the next two years.

Repurchased shares are recorded under the cost method and are reflected as treasury stock in the accompanying condensed consolidated Balance Sheets. All repurchased shares were funded with cash on hand.

Convertible Senior Notes and Term Loan and Credit Facility Borrowings

Convertible Senior Notes

In December 2021, we issued \$414 million in aggregate principal amount of 0.00% convertible senior notes (“2026 Notes”) due December 15, 2026, unless earlier repurchased by us or converted by the holder pursuant to their terms. Special interest, if any, is payable semiannually in arrears on June 15 and December 15 of each year.

The 2026 Notes are governed by an indenture between us, as issuer, and U.S. Bank Trust Company, National Association, as trustee. The 2026 Notes are unsecured and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the 2026 Notes and equal in right of payment to our unsecured indebtedness that is not so subordinated.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of common stock, at our election.

The 2026 Notes have an initial conversion rate of 7.6043 shares of common stock per \$1,000 principal amount of 2026 Notes. This represents an initial effective conversion price of approximately \$131.50 per share of common stock and 3,148,180 shares issuable upon conversion. Throughout the term of the 2026 Notes, the conversion rate may be adjusted upon the occurrence of certain events. As of September 30, 2022, no such adjustment has occurred. Holders of the 2026 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2026 Note.

Proceeds from the 2026 Notes were utilized to retire \$149.9 million of the 2025 Notes and for general corporate purposes.

In December 2020, we issued \$201.3 million in aggregate principal amount of 0.125% convertible senior notes (the “2025 Notes”) due December 15, 2025, unless earlier repurchased by us or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on June 15 and December 15 of each year, which commenced on June 15, 2021.

The 2025 Notes are governed by an indenture between us, as issuer, and U.S. Bank Trust Company, National Association, as trustee. The 2025 Notes are unsecured and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the Notes and equal in right of payment to our unsecured indebtedness that is not so subordinated.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of common stock, at our election.

The 2025 Notes have an initial conversion rate of 14.1977 shares of common stock per \$1,000 principal amount of the Notes. This represents an initial effective conversion price of approximately \$70.43 per share of common stock and 2,857,447 shares issuable upon conversion of the full aggregate principal amount of the 2025 Notes. Throughout the term of the 2025 Notes, the conversion rate may be adjusted upon the occurrence of certain events. As of September 30, 2022, no such adjustment has occurred. Holders of the 2025 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to the holder upon conversion of the Notes.

After the induced conversion of \$149.9 million aggregate principal amount of the 2025 Notes in December 2021, approximately \$51 million of aggregate principal of 2025 Notes remain outstanding. As of September 30, 2022, 729,533 shares were issuable upon conversion of the full aggregate principal amounts of such remaining 2025 Notes.

2021 Loan Agreement

On October 29, 2021, we entered into the 2021 Loan Agreement with Western Alliance Bank. The 2021 Loan Agreement provides for a \$75 million revolving credit facility with a \$5 million letter-of-credit sublimit and a maturity date of October 29, 2023. The 2021 Loan Agreement is secured by substantially all of our assets. Borrowings under the 2021 Loan Agreement bear interest at a rate equal to one (1) month U.S. LIBOR, plus a spread based upon our leverage (as defined by 2021 Loan Agreement), which may vary between 2.00% and 2.75%. As of September 30, 2022, the interest rate was 5.92%. The 2021 Loan Agreement is subject to various leverage and non-financial covenants. No amounts were outstanding under the 2021 Loan Agreement as of September 30, 2022.

Capital Expenditures

We have made capital expenditures primarily for computer equipment and related software needed to host our websites, internal-use software development costs, as well as for leasehold improvements and other general purposes to support our growth. Our capital expenditures totaled \$10.9 million and \$9.3 million for the nine-month periods ended September 30, 2022 and 2021, respectively. A majority of our capital expenditures in the first nine months of 2022 were for internal-use software and website development costs and, to a lesser extent, computer equipment and related software. We capitalized internal-use software and website development costs of \$9.8 million and \$8.5 million for the nine months ended September 30, 2022 and 2021, respectively. We are not currently party to any purchase contracts related to future capital expenditures.

Contractual Obligations

There were no material changes to our contractual obligations and commitments described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included or referenced in this Quarterly Report that address activities, events or developments which we expect will or may occur in the future are forward-looking statements, including statements regarding our intent, beliefs or current expectations and those of our management team. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “going to,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, priorities, plans, or intentions. Such statements may include those regarding our future financial results and other projections or measures of our future operating performance, including the drivers of such growth, profitability, and performance (including, in each case, any potential impact of product and service development efforts, GDPR or other similar laws, potential changes to customer relationships, and other operational decisions); expectations concerning market opportunities and our ability to capitalize on them; the amount and timing of the benefits expected from acquisitions, new strategies, products or services and other potential sources of additional revenue; and the behavior of our members, partners, and customers. These statements speak only as of the date of this Quarterly Report on Form 10-Q and are based on our current plans and expectations. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual future events or results to be different than those described in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those relating to: market acceptance of our products and services, including continued increased sales of our IT Deal Alert™ offerings and continued increased international growth; relationships with customers, strategic partners and employees; the duration and extent of the COVID-19 pandemic; difficulties in integrating acquired businesses; changes in economic or regulatory conditions or other trends affecting the internet, internet advertising and information technology industries; data privacy laws, rules, and regulations; the impact of foreign currency exchange rates, inflation, interest rate fluctuations and general economic and market conditions on our results; and other matters included in our SEC filings, including in our Annual Report on Form 10-K for the year ended December 31, 2021. Actual results may differ materially from those contemplated by the forward-looking statements. We undertake no obligation to update our forward-looking statements to reflect future events or circumstances.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Foreign Currency Exchange Risk

We currently have subsidiaries in the United Kingdom, Hong Kong, Australia, Singapore, Germany and France. Approximately 25% of our revenue for the nine months ended September 30, 2022 was derived from customers with billing addresses outside of the United States and our foreign exchange gains/losses were not significant. We currently believe our exposure to foreign currency exchange rate fluctuations is financially immaterial and therefore have not entered into foreign currency hedging transactions. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in the future. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Our continued international expansion increases our exposure to exchange rate fluctuations and as a result such fluctuations could have a significant impact on our future results of operations. We also maintain receivables and cash accounts denominated in currencies other than the local currency, which exposes us to foreign exchange rate movements.

In addition, our foreign subsidiaries have certain amounts of Goodwill and Intangibles which expose us to foreign currency exchange rate fluctuations. These exchange rate fluctuations are included as a component of other comprehensive (loss) income.

Interest Rate Risk

At September 30, 2022, we had cash and investments of \$384.3 million. The investments were held in a bond fund. The cash and investments were held for working capital purposes. We have not entered into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value as a result of increases in interest rates. Declines in interest rates, however, would reduce future investment income. Additionally, our 2021 Loan Agreement provides for a \$75 million revolving credit facility with a \$5 million letter-of-credit sublimit. Borrowings under the 2021 Loan Agreement bear interest at a rate equal to one (1) month U.S. LIBOR, plus a spread based upon our leverage (as defined by 2021 Loan Agreement), which may vary between 2.00% and 2.75%. No amounts were outstanding under the 2021 Loan Agreement as of September 30, 2022. Should interest rates rise, it may cost us more to borrow under the 2021 Loan Agreement.

Inflation Risk

Inflation generally affects us by increasing our cost of labor and certain services. We do not believe that inflation had a material effect on our financial statements included elsewhere in this Quarterly Report on Form 10-Q. However, the United States has recently experienced historically high levels of inflation. If the inflation rate continues to increase it may affect our expenses, such as increases in the costs of labor and supplies. Additionally, the United States is experiencing a workforce shortage, which in turn has created a competitive wage environment that may increase our operating costs in the future.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q for the period ended September 30, 2022, management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures as of September 30, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal controls that occurred during the third quarter of 2022 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Our business is subject to various risks and uncertainties, including those described in Item 1A – “Risk Factors” of our Annual Report on Form 10-K for the fiscal period ended December 31, 2021, that could have a material effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from period to period, including certain risks, which have been modified as follows:

General domestic and global economic, business or industry conditions, financial market instability, and geopolitical changes may adversely affect our business, as well as our ability to forecast financial results.

The U.S. and international economies have experienced inconsistent, unpredictable growth and a certain degree of instability, magnified at times by factors including changes in the availability of credit, inflation, volatile business and consumer confidence, unemployment, and geopolitical unrest, including from the impacts of the Russian invasion of Ukraine and its global ramifications. These and other macro-economic conditions have contributed to unpredictable changes in the global economy and expectations of future global economic growth. Additionally, economic weakness in the U.S. and international markets has adversely affected our customers and their spending decisions, causing them to reduce or delay their purchases of our offerings, which has adversely affected and may continue to affect our business.

Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the economy generally, and in the IT market specifically, it can be difficult for us to accurately estimate future income and expenditures. We cannot predict the duration of current economic conditions or the duration or strength of an economic recovery in the U.S. or worldwide generally or in the IT industry or in any of its segments. Further adverse changes may occur as a result of global, domestic or regional economic conditions, changing consumer and customer confidence, inflation, unemployment, tariffs, declines in stock markets, or other factors affecting economic and geopolitical conditions generally. These macro-economic conditions may also result in increased expenses due to higher allowances for doubtful accounts and potential goodwill and asset impairment charges and may make it more difficult for us to make accurate forecasts of revenue, gross margin, cash flows and expenses. We recognize that these challenging macro-economic conditions have and may continue to negatively affect the sales of our offerings, both in the U.S. and internationally, and could increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase the risk of loss on investments. The impact in the future of these macro-economic conditions on our business, results of operations, financial condition and/or liquidity is uncertain and will depend on future developments that we may not be able to accurately predict.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our repurchases under our repurchase programs are made from time to time at management's discretion in accordance with applicable federal securities laws. All repurchases of our common stock have been recorded as treasury stock. The following table summarizes information relating to purchases made by or on our behalf of shares of our common stock during the quarter ended September 30, 2022.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands) ⁽²⁾⁽³⁾
July 1, 2022 - July 31, 2022	208,124	\$ 61.21	208,124	\$ 33,958
August 1, 2022 - August 31, 2022	65,342	\$ 64.74	65,342	\$ 29,727
September 1, 2022 - September 30, 2022	176,907	\$ 60.80	176,907	\$ 18,970
Total	450,373		450,373	\$ 18,970

(1) We purchased an aggregate of 450,373 shares of our common stock in the open market pursuant to our May 2022 Repurchase Program (defined below). No shares were transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock rights during the period.

(2) From the May 2022 Repurchase Program's inception through September 30, 2022, we purchased 501,366 shares at an average price of \$61.89 per share for a total of \$31.0 million.

(3) In May 2022, we announced that the board of directors had authorized us to repurchase shares of our common stock having an aggregate purchase prices of up to \$50.0 million from time to time on the open market or in privately negotiated transactions at prices and in the manner that may be determined by management (the "May 2022 Repurchase Program").

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Description of Exhibit	Form or Schedule	Incorporated by Reference to		
			Exhibit No.	Filing Date with SEC	SEC File Number
3.1	<u>Fourth Amended and Restated Certificate of Incorporation of the Registrant.</u>	10-Q	3.1	11/13/2007	001-33472
3.2	<u>Amended and Restated Bylaws of TechTarget, Inc.</u>	10-Q	3.2	08/04/2021	001-33472
31.1*	<u>Certification of Michael Cotoia, Chief Executive Officer of TechTarget, Inc., pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				
31.2*	<u>Certification of Daniel Noreck, Chief Financial Officer and Treasurer of TechTarget, Inc., pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				
32.1*	<u>Certifications of Michael Cotoia, Chief Executive Officer of TechTarget, Inc. and Daniel Noreck, Chief Financial Officer and Treasurer of TechTarget, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				
101.INS	XBRL Instance Document* The instance document does not appear in the Interactive Data File because its XBRL tags are Embedded within the Inline XBRL document.				
101.SCH	XBRL Inline Taxonomy Extension Schema Document*				
101.CAL	XBRL Inline Taxonomy Extension Calculation Linkbase Document*				
101.DEF	XBRL Inline Taxonomy Extension Definition Linkbase Document*				
101.LAB	XBRL Inline Taxonomy Extension Label Linkbase Document*				
101.PRE	XBRL Inline Taxonomy Extension Presentation Linkbase Document*				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

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.

TECHTARGET, INC.

(Registrant)

Date: November 9, 2022

By: /s/ MICHAEL COTOIA

*Michael Cotoia, Chief Executive Officer and Director
(Principal Executive Officer)*

Date: November 9, 2022

By: /s/ DANIEL NORECK

*Daniel Noreck, Chief Financial Officer and Treasurer
(Principal Accounting and Financial Officer)*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Cotoia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TechTarget, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Michael Cotoia
Michael Cotoia
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Noreck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TechTarget, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Daniel Noreck

Daniel Noreck

Chief Financial Officer and Treasurer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of Michael Cotoia and Daniel Noreck hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his/her capacity as Chief Executive Officer and Chief Financial Officer and Treasurer, respectively of TechTarget, Inc. (the Company), that, to his/her knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

By: /s/ Michael Cotoia

Michael Cotoia
Chief Executive Officer

Date: November 9, 2022

By: /s/ Daniel Noreck

Daniel Noreck
Chief Financial Officer and Treasurer
