

OPENTABLE INC
Form 424B4
September 23, 2009

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Filed pursuant to Rule 424(b)(4)
Registration No. 333-161568
Registration No. 333-162069

PROSPECTUS

6,974,036 Shares

Common Stock

The selling stockholders named in this prospectus, which include certain members of our board of directors and management, are offering all of the shares offered hereby and will receive all of the proceeds from this offering. We will not receive any proceeds from the offering. See "Principal and Selling Stockholders."

Our common stock is listed on The NASDAQ Global Market under the symbol "OPEN." On September 22, 2009, the closing price of our common stock as reported on The NASDAQ Global Market was \$29.57.

Investing in our common stock involves a high degree of risk. See "Risk Factors" on page 10 of this prospectus.

	Per Share	Total
Public offering price	\$28.00	\$195,273,008
Underwriting discount	\$1.12	\$7,810,920
Proceeds, before expenses, to the selling stockholders	\$26.88	\$187,462,088

The underwriters have a 30-day option to purchase up to an additional 1,046,105 shares of common stock from certain selling stockholders to cover overallocments, if any.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about September 28, 2009.

BofA Merrill Lynch
Allen & Company LLC

**Stifel
Nicolaus**

ThinkEquity LLC

The date of this prospectus is September 22, 2009.

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. The selling stockholders are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Company

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions for restaurants include our Electronic Reservation Book, or ERB, which combines proprietary software and computer hardware that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. Our ERB streamlines and enhances a number of business-critical functions and processes for restaurants, including reservation management, table management, guest recognition and email marketing. The ERBs at our restaurant customers connect via the Internet to form an online network of restaurant reservation books. Our solutions for diners include our popular restaurant reservation website, www.opentable.com, which enables diners to find, choose and book tables at restaurants on the OpenTable network in real time, overcoming the inefficiencies associated with the traditional process of reserving by phone. Restaurants pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Our online reservation service is free to diners.

We initially focused on acquiring a critical mass of local restaurant customers in four metropolitan areas: Chicago, New York, San Francisco and Washington, D.C. These markets have since developed into active, local networks of restaurants and diners that continue to grow. We have applied and continue to apply the same fundamental strategy in developing and penetrating our other markets. As of June 30, 2009, the OpenTable network included approximately 11,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated approximately 110 million diners through OpenTable reservations, and during the three months ended June 30, 2009, we seated an average of approximately three million diners per month. For the twelve months ended December 31, 2007 and 2008, our revenues were \$41.1 million and \$55.8 million, respectively. For the twelve months ended December 31, 2007 and 2008, our subscription revenues accounted for 55% and 54% of our total revenues, respectively, and our reservation revenues accounted for 41% and 41% of our total revenues, respectively. For the six months ended June 30, 2008 and 2009, our subscription revenues accounted for 53% and 53% of our total revenues, respectively, and our reservation revenues accounted for 43% and 43% of our total revenues, respectively.

Market Opportunity

We target our solutions, by which we mean our ERB and the OpenTable website, to reservation-taking restaurants and diners, respectively. We believe based on our internal estimates that there are approximately 30,000 reservation-taking restaurants in North America that seat approximately 600 million diners through reservations annually, though this number fluctuates with economic and other conditions.

The ability of the restaurant industry to leverage the power of the Internet for reservation transactions has been inhibited by two key characteristics. First, the reservation-taking restaurant industry has been slow to computerize host-stand operations. Restaurant reservations historically have been largely handled by the traditional pen-and-paper reservation book, despite the inherent operational inefficiencies and potential for error. Second, the reservation-taking restaurant industry is

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highly fragmented, with independent restaurants and small, local restaurant groups comprising a significant majority of restaurant locations. The restaurant industry is also inherently local, making it time-consuming and costly to aggregate the breadth of local restaurant table inventory required to attract a critical mass of diners to make reservations online and create an online restaurant reservation network.

Historically, diners learned about restaurants through word of mouth and local print media, such as dining guides, newspapers and magazines. While diners continue to value personal recommendations, the Internet now puts a wealth of restaurant information at their fingertips. However, the ability to book restaurant reservations has largely been missing from online dining sources. Moreover, reserving by phone remains a highly inefficient and inconvenient process. In order for diners to fully embrace online restaurant reservations, they need real-time access to table inventory across a broad selection of local restaurants and the ability to instantly book confirmed reservations around-the-clock.

We believe the Internet can streamline operations and fill additional seats for reservation-taking restaurants and redefine the reservation experience for diners. In addition, we believe that there is a significant opportunity to provide solutions to reservation-taking restaurants and diners, as the network connecting the two groups is created and expanded.

Our Solution

Reservation-taking restaurants and diners have interconnected needs. Restaurants require cost-effective ways to attract guests and manage their reservations, while diners seek convenient ways to find available restaurants, choose among them and secure reservations. By creating an online network of restaurants and diners that transact with each other through real-time reservations, we have developed a specialized platform for addressing the needs of both.

Essential to this network is building a critical mass of local, computerized restaurant reservation books. We achieve this by offering software that provides important operational benefits for the restaurant, bundling it with computer hardware and installing this solution at the restaurant host stand, thereby creating a compelling solution for restaurants. We provide our solutions to individual restaurants within a market, one by one, via a direct sales force. We believe that we deliver a strong return on investment for our restaurant customers by streamlining their operations, filling additional seats and improving their quality of service. As a result, we have historically enjoyed high customer satisfaction and retention rates.

The OpenTable website gives diners real-time access to tables at restaurants on the OpenTable network. As more local restaurants are added to the network, the utility provided to diners increases and more diners discover the benefits of researching restaurants and making reservations on our website. The more diners who use our website to make their dining decisions, the more value we deliver to our restaurant customers and the more restaurants are attracted to our network.

Benefits of OpenTable to Reservation-Taking Restaurants

In response to the needs of reservation-taking restaurants, we offer the OpenTable ERB, a bundled solution consisting of proprietary OpenTable software, which is installed on a touch-screen computer system and supported by various asset-protection and security tools. Additionally, we provide restaurants with access to diners via our website as well as through reservation links on our partners' websites and on restaurants' own websites. Our solutions help restaurants participating in the OpenTable network to:

fill seats that might otherwise remain empty and minimize "no-shows" by offering the convenience of online reservations directly through the OpenTable website as well as indirectly through the websites of our partners and restaurant customers;

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create operational efficiencies by replacing the restaurant's pen-and-paper system with a computerized reservation book and helping restaurants maximize seat utilization, facilitate server rotations and improve table turns;

boost guest recognition and overall guest service by recording diner preferences and histories and by collecting and delivering feedback from OpenTable diners;

computerize their host-stand operations by providing a solution that combines proprietary software and computer hardware and customized, on-site installation, training and technical support; and

market to a targeted audience with measurable results by giving restaurants valuable marketing exposure during the diners' decision-making process and requiring payment by restaurants only for those diners whom they ultimately serve.

Benefits of OpenTable to Diners

In response to the needs of diners, we offer the OpenTable website, a destination website for those seeking a convenient way to research restaurants and make reservations. Our website enables diners to:

find available tables by allowing diners to search for reservations by location, date, time and party size and view real-time table availability across a variety of restaurants;

choose a restaurant by providing diners with restaurant information such as restaurant descriptions, photos and menus as well as lists of restaurants that are most highly rated by OpenTable diners in different categories; and

book instantly-confirmed reservations for free by allowing diners to make reservations through the OpenTable website, which are instantly recorded in the ERB located at the restaurant.

Our Strategy

As our network of reservation-taking restaurants and diners grows, the value we deliver grows as well. Because the foundation of our network is building a critical mass of computerized reservation books, we enhance our offering to diners by adding new restaurant customers. In turn, as more diners use the OpenTable website to make their dining decisions and book their reservations, we deliver more value to our restaurant customers by helping them fill more of their seats. In this process, we grow the value of our business. The key elements of this strategy include:

Continue to Build the OpenTable Network in North America

The value of the OpenTable network grows as participation among restaurants and diners grows. Experience in our earliest markets provided a successful model that we have implemented while entering new markets, and, as a result, our newer North American markets have grown relatively predictably over time. We intend to continue to build our North American network in the United States, Canada and Mexico by employing this proven model, which includes the following elements:

producing and maintaining superior solutions by continuing to evolve our ERB based on nearly a decade of in-field experience as well as feedback from our installed base of approximately 11,000 restaurant customers, and optimizing our website through insights gained from the experience of seating approximately 110 million diners through online reservations;

providing excellent customer service and support by continuing to employ highly trained operational teams to provide installation and training services for our restaurant customers

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and continuing to augment our in-house support staff with contract support services to deliver superior customer assistance;

leveraging our direct sales force, which is experienced in selling the benefits of OpenTable to reservation-taking restaurants, which operate in a highly fragmented industry; and

continuing to attract diners to our website by offering the best reservation experience through enhanced ease of use and restaurant content, thereby increasing market adoption of our solutions, building our brand awareness and driving word-of-mouth referrals to our website.

Expand Internationally

We intend to augment our growing North American business by selectively expanding into countries outside of North America that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. We currently have operations in Germany, Japan and the United Kingdom, each supported with a direct sales force and operational staff. We have approximately 1,200 restaurant customers in these markets. In general, our strategy internationally is to replicate the model we have successfully employed in North America. In particular, our initial focus in new international markets is to increase our restaurant customer base, and we believe the localized versions of our software solution will compete favorably against competitive software offerings, enabling us to expand our network of computerized reservation books across a broad selection of local restaurants.

Risk Factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary, that primarily represent challenges we face in connection with the successful implementation of our strategy and the growth of our business. Our limited operating history makes it difficult for us to accurately forecast revenues and appropriately plan our expenses. We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance. Such factors include deteriorating global economic conditions and our ability to maintain an adequate rate of growth, effectively manage our growth, retain and attract restaurant customers and visitors to our website, provide a high-quality customer experience through our website and ERB and successfully enter new markets and manage our international expansion.

Recent Development

GuestBridge, Inc. Acquisition

On September 14, 2009, we entered into an Asset Purchase Agreement, or Agreement, with GuestBridge, Inc., or GuestBridge, a provider of guest management solutions, pursuant to which we agreed to purchase substantially all of the assets and assume certain liabilities of GuestBridge for approximately \$3 million in cash, subject to customary closing conditions. The transaction is expected to close in the fourth quarter of 2009. We believe that this acquisition provides strategic benefits for our company. The Agreement contains standard representations and warranties for a transaction of this type. The terms of the transaction were the result of arm's length negotiations between us and GuestBridge.

Corporate Information

We were originally incorporated as easyeats.com, Inc., a California corporation, on October 13, 1998. On June 2, 1999, we changed our name to OpenTable.com, Inc. We subsequently reincorporated in Delaware on September 20, 2000 under our current name, OpenTable, Inc. Our principal executive

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offices are located at 799 Market Street, 4th Floor, San Francisco, California 94103, and our telephone number is (415) 344-4200. Our website address is www.opentable.com. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only. Unless the context requires otherwise, the words "OpenTable," "we," "company," "us" and "our" refer to OpenTable, Inc. and our wholly owned subsidiaries.

OpenTable®, the OpenTable logo and other trademarks or service marks of OpenTable appearing in this prospectus are the property of OpenTable. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

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THE OFFERING

Common stock offered by the selling stockholders	6,974,036 shares
Shares outstanding after the offering	22,272,182 shares
Underwriters' option to purchase additional shares	The underwriters may purchase an additional 1,046,105 shares from certain selling stockholders if the underwriters exercise in full their option to purchase additional shares.
Use of proceeds	The selling stockholders, including certain members of our board of directors and management, will receive all of the proceeds from this offering and we will not receive any proceeds from the sale of shares in this offering. Any proceeds received by us in connection with the exercise of options to purchase shares of our common stock by the selling stockholders in connection with this offering will be used for general corporate purposes. See "Use of Proceeds." For more information on the selling stockholders, see "Principal and Selling Stockholders."
Risk factors	See "Risk Factors" beginning on page 10 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
NASDAQ Global Market symbol	"OPEN"

The number of shares of our common stock outstanding after this offering is based on 22,128,580 shares outstanding as of June 30, 2009, plus an aggregate of 143,602 shares of common stock subject to outstanding options being exercised by certain selling stockholders for the purpose of selling shares in this offering.

As of June 30, 2009, we had 22,128,580 shares outstanding, excluding:

1,405,664 shares of common stock, subject to increase on an annual basis, reserved for issuance under our 2009 Equity Incentive Award Plan;

2,395,096 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock granted pursuant to our 1999 Stock Plan (including an aggregate of 143,602 shares of common stock that will be issued upon the exercise of options at a weighted average exercise price of \$3.87 per share by certain selling stockholders and sold by them in this offering) at a weighted average exercise price of \$7.34 per share; and

88,691 shares of common stock issuable upon the exercise of an outstanding warrant at an exercise price of \$1.00 per share.

Except as otherwise indicated, information in this prospectus reflects or assumes no exercise of the underwriters' overallotment option to purchase up to 1,046,105 additional shares of our common stock from certain selling stockholders. All share and per share information referenced through this prospectus have been retroactively adjusted to reflect a 1-for-12.5 reverse stock split of our common stock and preferred stock effected on May 20, 2009.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize the consolidated financial data for our business. You should read this summary financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

We derived the consolidated statements of operations data for the years ended December 31, 2006, 2007 and 2008 from our audited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated statements of operations data for the six months ended June 30, 2008 and 2009, and the unaudited consolidated balance sheet data as of June 30, 2009, are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Results for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2009. Our historical results are not necessarily indicative of the results to be expected in the future.

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	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
(In thousands, except per share amounts)					
Consolidated Statements of Operations Data:					
REVENUES	\$ 27,168	\$ 41,148	\$ 55,844	\$ 27,121	\$ 32,385
COSTS AND EXPENSES:					
Operations and support(1)	9,548	12,603	17,760	8,345	10,118
Sales and marketing(1)	7,675	11,326	14,830	7,310	7,808
Technology(1)	4,024	5,863	9,511	4,579	5,311
General and administrative(1)	5,972	12,212	13,117	6,556	6,942
Total costs and expenses	27,219	42,004	55,218	26,790	30,179
Income (loss) from operations	(51)	(856)	626	331	2,206
Other income, net	421	951	468	323	146
Income before taxes	370	95	1,094	654	2,352
Income tax expense (benefit)	176	(9,121)	2,118	513	1,294
NET INCOME (LOSS)	\$ 194	\$ 9,216	\$ (1,024)	\$ 141	\$ 1,058
Net income (loss) per share:					
Basic	\$ 0.02	\$ 0.97	\$ (0.10)	\$ 0.01	\$ 0.08
Diluted	\$ 0.01	\$ 0.46	\$ (0.10)	\$ 0.01	\$ 0.05
Weighted average shares outstanding:					
Basic	9,132	9,522	10,016	9,906	12,802
Diluted	19,523	20,019	10,016	20,754	21,602

(1)

Stock-based compensation included in above line items:

Operations and support	\$ 58	\$ 290	\$ 339	\$ 174	\$ 154
Sales and marketing	67	709	878	465	408
Technology	64	288	694	360	291
General and administrative	520	1,816	2,059	1,132	831
Total	\$ 709	\$ 3,103	\$ 3,970	\$ 2,131	\$ 1,684
Other Operational Data:					
Installed restaurants (at period end):					
North America	5,583	7,391	9,295	8,350	9,971
International	204	470	1,040	764	1,193
Total	5,787	7,861	10,335	9,114	11,164
Seated diners (in thousands):					
North America	15,171	24,614	33,636	16,849	19,993
International	84	244	542	253	392
Total	15,255	24,858	34,178	17,102	20,385
Headcount (at period end):					
North America	152	192	238	219	252
International	16	34	59	49	61

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Total	168	226	297	268	313
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	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
(In thousands)					
Additional Financial Data:					
Revenues:					
North America	\$26,654	\$39,601	\$53,065	\$25,822	\$30,724
International	514	1,547	2,779	1,299	1,661
Total	\$27,168	\$41,148	\$55,844	\$27,121	\$32,385
Income (loss) from operations:					
North America	\$ 3,106	\$ 4,974	\$ 9,088	\$ 4,580	\$ 5,284
International	(3,157)	(5,830)	(8,462)	(4,249)	(3,078)
Total	\$ (51)	\$ (856)	\$ 626	\$ 331	\$ 2,206
Depreciation and amortization:					
North America	\$ 2,029	\$ 2,817	\$ 4,026	\$ 1,838	\$ 2,322
International	89	184	350	160	215
Total	\$ 2,118	\$ 3,001	\$ 4,376	\$ 1,998	\$ 2,537

	As of June 30, 2009 (In thousands)
Consolidated Balance Sheet Data:	
Cash and cash equivalents	\$ 20,650
Short-term investments	42,693
Property and equipment, net	11,119
Working capital	54,944
Total assets	90,121
Dining rewards payable	9,993
Total stockholders' equity	65,022

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before making a decision to invest in our common stock. If any of such risks actually occur, our business, operating results or financial condition could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

Our limited operating history makes it difficult for us to accurately forecast revenues and appropriately plan our expenses.

We were formed in October 1998 and have a limited operating history. As a result, it is difficult to accurately forecast our revenues and plan our operating expenses. We base our current and future expense levels on our operating forecasts and estimates of future revenues from restaurants, which pay us an installation fee for our Electronic Reservation Book, or ERB, a monthly subscription fee and a fee for each restaurant guest seated through online reservations. Revenues and operating results are difficult to forecast due to the uncertainty of the volume and timing of obtaining new restaurant customers and of diners seated through OpenTable reservations. Some of our expenses are fixed, and, as a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in revenues. This inability could cause our net income in a given quarter to be lower than expected.

The impact of worldwide economic conditions, including the resulting effect on consumer spending, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions and their impact on levels of consumer spending, which may remain depressed, or be subject to further deterioration, for the foreseeable future. Some of the factors having an impact on discretionary consumer spending include general economic conditions, unemployment, consumer debt, reductions in net worth, residential real estate and mortgage markets, taxation, energy prices, interest rates, consumer confidence and other macroeconomic factors.

Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. Because spending for restaurant dining is generally considered to be discretionary, declines in consumer spending may have a more negative effect on our business than on those businesses that sell products or services considered to be necessities. In particular, a significant majority of our restaurant customers are fine-dining restaurants which have been particularly affected by economic downturns such as the one we are currently experiencing.

Unfavorable changes in the above factors or in other business and economic conditions affecting our restaurant customers and diners could result in continued reduced traffic in some or all of the restaurants that use our solutions, result in fewer reservations made through our website or the websites of our partners or restaurant customers and lower our profit margins, cause our restaurant customers to go out of business, cause our restaurant customers to terminate their subscriptions to our solutions or default on their payment obligations to us and have a material adverse effect on our financial condition and operating results.

Moreover, the majority of our restaurant customers are located in major metropolitan areas like New York City and the San Francisco Bay Area, and to the extent any one of these geographic areas experiences any of the above described conditions to a greater extent than other geographic areas, the material adverse effect on our financial condition and operating results could be exacerbated.

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We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Our revenues and operating results could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

our ability to accurately forecast revenues and appropriately plan our expenses;

the impact of worldwide economic conditions, including the resulting effect on consumer spending;

our ability to maintain an adequate rate of growth;

our ability to effectively manage our growth;

our ability to attract new restaurant customers;

our ability to increase the number of visitors to our website and convert those visitors into diners who reserve a table using our website and then dine with our restaurant customers;

our ability to retain existing restaurant customers and diners or encourage repeat reservations;

our ability to provide a high-quality customer experience through our website and ERB;

our ability to successfully enter new markets and manage our international expansion;

the impact of fluctuations in currency exchange rates;

the effects of increased competition in our business;

our ability to keep pace with changes in technology and our competitors;

our ability to successfully manage any future acquisitions of businesses, solutions or technologies;

the success of our marketing efforts;

changes in consumer behavior and any related impact on the restaurant industry, especially in the geographic markets where we operate;

seasonal patterns in restaurant dining;

interruptions in service and any related impact on our reputation;

the attraction and retention of qualified employees and key personnel;

our ability to protect our intellectual property, including our proprietary ERB;

costs associated with defending intellectual property infringement and other claims;

the effects of natural or man-made catastrophic events;

the effectiveness of our internal controls; and

changes in government regulation affecting our business.

As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance. In addition, our

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operating results may not meet the expectations of investors or public market analysts who follow our company.

Our recent growth rate will likely not be sustainable and a failure to maintain an adequate growth rate will adversely affect our net income and our business.

Our revenues have grown rapidly, increasing from \$27.2 million in 2006 to \$41.1 million in 2007 to \$55.8 million in 2008, representing a compound annual growth rate of 43%. We do not expect to sustain our recent growth rate in future periods, and you should not rely on the revenue growth of any prior quarterly or annual periods as an indication of our future performance. If we are unable to maintain adequate revenue growth, our net income will be adversely affected, and we may not have adequate resources to execute our business strategy.

Growth may place significant demands on our management and our infrastructure.

We have experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of customers enhanced solutions, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain our ability to maintain reliable service levels for our customers, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

If we fail to increase the number of our customers or retain existing customers, our revenues and our business will be harmed.

In 2008, almost all of our revenues were generated by our restaurant customers, who pay us a one-time installation fee, a monthly subscription fee for our ERB and a fee for each restaurant guest seated through online reservations. Our growth depends in large part on increasing the number of our restaurant customers, increasing the number of visitors to our website and then converting those visitors into diners who use our website to make restaurant reservations. Either category of customers may decide not to continue to use our solutions in favor of other means of reserving tables or because of budgetary constraints or other reasons.

To grow our base of restaurant customers, we must convince prospective restaurant customers of the benefits of our ERB and related solutions and encourage them to forego the traditional pen-and-paper reservation book to which they are likely accustomed. Due to the fragmented nature of the restaurant industry, many prospective restaurant customers may not be familiar with our solutions and will generally favor using more traditional methods of taking reservations.

To increase the number of diners who use our website, we must convince them of the value of our solutions. Our ability to do so is driven in large part by increasing the number of restaurant listings available on our website and also by making the diner's visit to our website a convenient and user-friendly experience.

We cannot assure you that we will be successful in continuing to expand our restaurant customer base or in continuing to attract diners to make reservations on our website. Our future sales

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and marketing efforts may be ineffective. If diners choose not to use our solutions or decrease their use of our solutions or we are unable to attract new diners, listings on our website could be reduced, search activity on our website could decline, the usefulness of our solutions could be diminished and we could experience declining revenues.

We may be unable to successfully execute our business strategy if we fail to continue to provide our customers with a high-quality customer experience.

A critical component of our strategy is providing a high-quality customer experience for both restaurants and diners. Accordingly, the effective performance, reliability and availability of our ERB, website and network infrastructure are critical to our reputation and our ability to attract and retain customers. In order to provide a high-quality customer experience, we have invested and will continue to invest substantial resources in our ERB, website development and functionality and customer service operations. If we do not continue to make such investments and as a result, or due to other reasons, fail to provide a high-quality customer experience, we may lose restaurants and diners from our network, which could significantly decrease the value of our solutions to both groups. Moreover, failure to provide our customers with high-quality customer experiences for any reason could substantially harm our reputation and adversely affect our efforts to develop as a trusted website.

We may be unsuccessful in expanding our operations internationally, which could harm our business, operating results and financial condition.

In 2004, we established our European headquarters in London and expanded our North American presence in Canada. In 2006, we opened an office in Tokyo and further expanded our North American presence in Mexico. In 2007, we expanded our European presence with offices in France, Germany and Spain. Our ability to expand internationally involves various risks, including the need to invest significant resources in such expansion, the possibility that returns on such investments will not be achieved in the near future and competitive environments with which we are unfamiliar. Our international operations may not prove to be successful in certain markets. For example, in 2008, we decided to close our offices in France and Spain. In addition, we have incurred and expect to continue to incur significant expenses in advance of generating material revenues as we attempt to establish our presence in particular international markets. Our current and any future international expansion plans we choose to undertake will require management attention and resources and may be unsuccessful. We do not have substantial experience in selling our solutions in international markets or in conforming to the local cultures, standards or policies necessary to successfully compete in those markets, and we must invest significant resources in order to build a direct sales force and operational infrastructure in such markets. Furthermore, in many international markets we are not the first entrant and there exists greater competition with stronger brand names than we have faced in North American markets. Our ability to expand internationally will also be limited by the demand for our solutions and the adoption of the Internet in these markets. Different privacy, censorship and liability standards and regulations and different intellectual property laws in foreign countries may cause our business and operating results to suffer.

Any future international operations may also fail to succeed due to other risks inherent in foreign operations, including:

difficulties or delays in acquiring a network of restaurant customers in one or more international markets;

different restaurant preferences and dining patterns than those in North America;

varied, unfamiliar and unclear legal and regulatory restrictions;

unexpected changes in international regulatory requirements and tariffs;

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legal, political or systemic restrictions on the ability of U.S. companies to market services or otherwise do business in foreign countries;

less extensive adoption of the Internet as a commerce medium or information source and increased restriction on the content of websites;

difficulties in staffing and managing foreign operations;

greater difficulty in accounts receivable collection;

currency fluctuations;

potential adverse tax consequences;

lack of infrastructure to adequately conduct electronic commerce transactions; and

price controls or other restrictions on foreign currency.

As a result of these obstacles, we may find it impossible or prohibitively expensive to expand internationally or we may be unsuccessful in our attempt to do so, which could harm our business, operating results and financial condition.

We face risks associated with currency exchange rate fluctuations.

For the six months ended June 30, 2009, we incurred approximately 19% of our operating expenses in pounds sterling, euros, yen and other foreign currencies, while most of our revenues were denominated in U.S. dollars. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. dollar relative to other currencies affect our revenues, costs and expenses, and operating margins, and result in foreign currency transaction gains and losses. To date, we have not engaged in exchange rate hedging activities. Even if we were to implement hedging strategies to mitigate this risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the hedging activities and potential accounting implications.

The markets for our solutions in North America may become more competitive, and there can be no certainty that we will maintain our current restaurant customers and diners or attract new restaurants and diners or that our operating margins will not be affected by competition.

We expect that the competitive environment for our solutions may become more intense as additional companies enter our North American markets. Currently, our primary competitors in North America are the pen-and-paper reservation book used by most restaurants and the phone used by diners. Secondary competitors include companies who provide computerized reservation management systems with a variety of technologies, as well as allocation-based reservation-taking websites that offer diners the ability to book reservations for a limited selection of restaurant table inventory. These secondary competitors may enhance their technologies to be more competitive, and additional competitors may enter our markets in North America. Any new competitors could have greater name recognition among restaurants and diners and greater financial, technical and marketing resources. Greater financial resources and product development capabilities may allow these competitors to respond more quickly to new or emerging technologies and changes in restaurant and diner requirements that may render our solutions obsolete. These competitors could introduce new solutions with competitive price and performance characteristics or undertake more aggressive marketing campaigns than ours. If we lose existing restaurant customers and diners or fail to attract new restaurants and diners as a result of increased competition, our business, operating results and financial condition could be adversely affected.

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Rapid technological changes may render our technology obsolete or decrease the attractiveness of our solutions to our customers.

To remain competitive, we must continue to enhance and improve the functionality and features of our website and ERB. The Internet and the online commerce industry are rapidly changing. If competitors introduce new solutions embodying new technologies, or if new industry standards and practices emerge, our existing website, technology and ERB may become obsolete. Our future success will depend on our ability to:

enhance our existing solutions;

develop and potentially license new solutions and technologies that address the increasingly sophisticated and varied needs of our prospective customers; and

respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing our ERB, website and other technology entails significant technical and business risks. We may use new technologies ineffectively, or we may fail to adapt our website, transaction processing systems and network infrastructure to consumer requirements or emerging industry standards. For example, our website functionality that allows searches and displays of reservation availability is a critical part of our service, and it may become out-of-date or insufficient from our customers' perspective or in relation to the search and display functionality of our competitors' websites. If we face material delays in introducing new or enhanced solutions, our customers may forego the use of our solutions in favor of those of our competitors.

Future acquisitions could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our offerings and markets and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses, solutions or technologies rather than through internal development, including, for example, our proposed acquisition of substantially all of the assets of GuestBridge, Inc., or GuestBridge, a provider of guest management solutions. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions, including the GuestBridge asset acquisition. Furthermore, even if we successfully complete an acquisition, we may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of the company that we acquired, particularly if key personnel of an acquired company decide not to work for us. In addition, we may issue equity securities to complete an acquisition, which would dilute our stockholders' ownership and could adversely affect the price of our common stock. Acquisitions may also involve the entry into geographic or business markets in which we have little or no prior experience. Consequently, we may not achieve anticipated benefits of the acquisitions which could harm our operating results.

We rely on our marketing efforts to attract new customers and must do so in a cost-effective manner; otherwise our operations will be harmed.

A significant component of our business strategy is the promotion of the OpenTable website and ERB. We believe that the attractiveness of our solutions to our current and potential customers, both restaurants and diners, will increase as new restaurants provide additional restaurant listings and diners increasingly use our website to conduct searches and make restaurant reservations. This is because an increase in the number of restaurant listings and the number of diners searching those listings increases the utility of our website and its associated search, listing and reservation services. If

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we do not continue to grow the use of our website and ERB, we may fail to build the critical mass of both restaurant customers and diners required to substantially increase our revenues.

While our marketing efforts do not currently involve significant expenditures, in the future we may find it necessary to invest more heavily in direct marketing or online or traditional advertising. If we are unable to effectively market our solutions to new customers or are unable to do so in a cost-effective manner, our operating results could be adversely affected.

System interruptions that impair access to our website would damage our reputation and brand and substantially harm our business and operating results.

The satisfactory performance, reliability and availability of our ERB, website and network infrastructure are critical to our reputation, our ability to attract and retain both restaurant customers and diners and our ability to maintain adequate customer service levels. Any systems interruption that results in the unavailability of our website or any restaurant connected to our website could result in negative publicity, damage our reputation and brand and cause our business and operating results to suffer. We may experience temporary system interruptions (either to our website or at our restaurant customer locations) for a variety of reasons, including network failures, power failures, software errors or an overwhelming number of visitors trying to reach our website during periods of strong demand. In addition, our primary data center is hosted by a third party. Because we are dependent in part on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel our ability to develop and successfully market our business could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, technical, finance, creative and sales and marketing personnel. Moreover, we believe that our future success is highly dependent on the contributions of our named executive officers, as defined in "Management Executive Compensation." All of our U.S. officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and introduction of, and harm our ability to sell, our solutions and harm the market's perception of us. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located. Further, our principal overseas operations are based in London and Tokyo, which are cities that, similar to our headquarters region, have high costs of living and consequently high compensation standards. Qualified individuals are in high demand, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing sales, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Our named executive officers have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, our business, operating results and financial condition will be harmed.

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Failure to adequately protect our intellectual property could substantially harm our business and operating results.

Because our business is heavily dependent on our intellectual property, including our proprietary software, the protection of our intellectual property rights is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. These afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary, such as the technology used to operate our website, our content and our trademarks. Moreover, policing our proprietary rights is difficult and may not always be effective. In particular, because we sell our solutions internationally, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States.

We have registered "OpenTable" and our other trademarks as trademarks in the United States and in certain other countries. Competitors may adopt service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term OpenTable or our other trademarks. From time to time, we have acquired Internet domain names held by others when such names were causing consumer confusion or had the potential to cause consumer confusion.

We currently hold the "OpenTable.com" Internet domain name and various other related domain names. Domain names generally are regulated by Internet regulatory bodies. If we lose the ability to use a domain name in a particular country, we would be forced to either incur significant additional expenses to market our solutions within that country, including the development of a new brand and the creation of new promotional materials, or elect not to sell solutions in that country. Either result could substantially harm our business and operating results. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize the name OpenTable in all of the countries in which we currently conduct or intend to conduct business.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and could substantially harm our operating results.

Assertions by third parties of infringement by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Other parties have asserted, and may in the future assert, that we have infringed their intellectual property rights. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence. For example, on May 12, 2009, Mount Hamilton Partners, LLC, or Mount Hamilton, filed a patent infringement lawsuit against us in the United States District Court for the Northern District of California, seeking, among other things, a judgment that we have infringed a certain patent held by Mount Hamilton, an injunctive order against the alleged infringing activities and an award for damages. If an injunction is granted, it could force us to stop or

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alter certain of our business activities, such as certain aspects of the OpenTable Dining Rewards program. We could also be required to pay damages in an unspecified amount. Neither the outcome of the litigation nor the amount and range of potential damages or exposure associated with the litigation can be assessed with certainty.

Furthermore, we cannot predict whether assertions of third party intellectual property rights or claims arising from such assertions will substantially harm our business and operating results. We are currently involved in the defense of the alleged infringement claims of Mount Hamilton. The defense of these claims and any future infringement claims of Mount Hamilton or another party, whether they are with or without merit or are determined in our favor, may result in costly litigation and diversion of technical and management personnel. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's patent or copyright rights; cease making, licensing or using solutions that are alleged to incorporate the intellectual property of others; expend additional development resources to redesign our solutions; and enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. In any event, we may need to license intellectual property which would require us to pay royalties or make one-time payments.

We depend in part on licenses of technologies from third parties in order to deliver our solutions, and, as a result, our business is dependent in part on the availability of such licenses on commercially reasonable terms.

We currently, and will continue to, license certain technologies from third parties. We cannot be certain that these third-party content licenses will be available to us on commercially reasonable terms or that we will be able to successfully integrate the technology into our solutions. These third-party in-licenses may expose us to increased risk, including risks associated with the assimilation of new technology sufficient to offset associated acquisition and maintenance costs. The inability to obtain any of these licenses could result in delays in solution development until equivalent technology can be identified and integrated. Any such delays in services could cause our business, operating results and financial condition to suffer.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our proprietary technology, including the proprietary software component of our ERB, and related processes. In order to protect our proprietary technology and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Our failure to protect confidential information of our customers and our network against security breaches could damage our reputation and brand and substantially harm our business and operating results.

Currently, some of our restaurant customers require that diners enter their credit card information to hold a reservation. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including credit card numbers.

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Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. Any such compromise of our security could damage our reputation and brand and expose us to a risk of loss or litigation and possible liability which would substantially harm our business and operating results. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches.

We rely on a third-party customer support service provider for the majority of our customer service calls. If this service provider experiences operational difficulties or disruptions, our business could be adversely affected.

We depend on a U.S.-based third-party customer support service provider to handle most of our routine support cases. While we have a small customer service center in our San Francisco headquarters, if our customer support service provider experienced operational difficulties, our ability to respond to customer service calls in a timely manner and the quality of our customer service would be adversely affected, which in turn could affect our reputation and results of operations. While we have a contract with our customer support service provider, either party may terminate the contract for convenience by providing the other party at least 90 days prior notice of its intent to terminate. If for any reason our relationship with our customer support service provider were to end, it would require a significant amount of time to either scale up our San Francisco call center or to hire and train a new customer support service provider.

We outsource a portion of our software development to a third-party service provider located in India. Any interruption in our relationship with this service provider could adversely affect our business.

If for any reason our relationship with our third-party software development service provider were to end, it would require a significant amount of time to transition the software development work either in-house or to a new third-party service provider. Our contract with this software development service provider has a term ending on January 31, 2010. Either party may terminate the contract at any time by providing the other party at least 30 days prior notice of its intent to terminate. If our third-party software development service provider fails to perform its obligations in a timely manner or at satisfactory quality levels, our ability to bring solutions to market and our reputation could suffer. In addition, our third-party software development service provider is located in India and, as a result, may be subject to geopolitical uncertainty.

We may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances. If such capital is not available to us, our business, operating results and financial condition may be harmed.

We may require additional capital to expand our business. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. For example, any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we do not have funds available to enhance our solutions, maintain the competitiveness of our technology or pursue business opportunities, we may not be able to service our existing customers or acquire new customers. In addition, if we do not have funds available to make strategic acquisitions, we may not be able to expand our business. The inability to raise additional capital could have an adverse effect on our business, operating results and financial condition.

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If we issue additional shares of common stock to raise capital, it may have a dilutive effect on your investment.

If we raise additional capital through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of us. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock, including shares of common stock sold in this offering.

A further tightening of the credit markets may have an adverse effect on our ability to obtain short-term debt financing.

The current state of the global economy threatens to cause further tightening of the credit markets, more stringent lending standards and terms and higher volatility in interest rates. Persistence of these conditions could have a material adverse effect on our access to short-term debt and the terms and cost of that debt. As a result, we may not be able to secure additional financing in a timely manner, or at all, to meet our future capital needs which may have an adverse effect on our business, operating results and financial condition.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. Our U.S. corporate offices and the facility we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. In addition, acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in our or our restaurant customers' businesses or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting the San Francisco Bay Area, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems and the Internet to conduct our business and provide high quality customer service, such disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt our restaurant customers' businesses, which could have an adverse affect on our business, operating results and financial condition.

As a public company, we incur significant costs which may adversely affect our operating results and financial condition.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company, including costs associated with our public company reporting requirements. We have also incurred, and anticipate that we will continue to incur, costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as well as rules implemented by the SEC and The NASDAQ Stock Market. Furthermore, these laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of

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these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

New laws and regulations as well as changes to existing laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules adopted by the SEC and by The NASDAQ Stock Market, would likely result in increased costs to us as we respond to their requirements. We are investing resources to comply with evolving laws and regulations, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities.

Risks Related to Our Industry

Seasonality may cause fluctuations in our financial results.

We generally experience some effects of seasonality due to increases in restaurant dining tied to certain holidays and restaurant industry promotions. Accordingly, the number of reservations made through our system has generally increased at a higher rate in the first and fourth quarters compared to the second and third quarters. Although historically our revenue has increased in each quarter as we have added restaurant customers and diners, in the future this seasonality may cause fluctuations in our financial results. In addition, other seasonality trends may develop and the existing seasonality and consumer behavior that we experience may change.

If use of the Internet, particularly with respect to online restaurant reservations, does not continue to increase as rapidly as we anticipate, our business will be harmed.

Our future net profits are substantially dependent upon the continued use of the Internet as an effective medium of business and communication by our target customers. Internet use may not continue to develop at historical rates, and consumers may not continue to use the Internet and other online services as a medium for commerce. In addition, the Internet may not be accepted as a viable long-term marketplace or resource for a number of reasons, including:

actual or perceived lack of security of information or privacy protection;

possible disruptions, computer viruses or other damage to Internet servers or to users' computers; and

excessive governmental regulation.

Our success will depend, in large part, upon third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services. Our business, which relies on a contextually rich website that requires the transmission of substantial data, is also significantly dependent upon the availability and adoption of broadband Internet access and other high-speed Internet connectivity technologies.

Government regulation of the Internet is evolving, and unfavorable changes could substantially harm our business and operating results.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet. Existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales

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and other taxes, libel and personal privacy apply to the Internet. Unfavorable resolution of these issues may substantially harm our business and operating results.

Risks Related to Owning Our Common Stock

Our stock price may be volatile, and the value of an investment in our common stock may decline.

Shares of our common stock were sold in our initial public offering, or IPO, in May 2009 at a price of \$20.00 per share, and our common stock has subsequently traded as high as \$35.50. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. The trading price of our common stock may be subject to wide fluctuations in response to various factors, some of which are beyond our control, including:

our operating performance and the operating performance of similar companies;

the overall performance of the equity markets;

the number of shares of our common stock publicly owned and available for trading;

threatened or actual litigation;

changes in laws or regulations relating to our solutions;

any major change in our board of directors or management;

publication of research reports about us or our industry or positive or negative recommendations or withdrawal of research coverage by securities analysts;

large volumes of sales of our shares of common stock by existing stockholders; and

general political and economic conditions.

In addition, the stock market in general, and the market for Internet-related companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition.

Our directors, executive officers and principal stockholders will continue to have substantial control over us after this offering and could delay or prevent a change in corporate control.

After this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 43% of our outstanding common stock, assuming no exercise of the underwriters' option to purchase additional shares of our common stock in this offering from certain selling stockholders. As a result, these stockholders, acting

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together, would continue to have significant influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would continue to have significant influence over the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

delaying, deferring or preventing a change in corporate control;

impeding a merger, consolidation, takeover or other business combination involving us; or

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discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of us.

Future sales of shares of our common stock by stockholders could depress the price of our common stock.

Based on shares outstanding as of June 30, 2009, upon the completion of this offering, we will have 22,272,182 shares of our common stock outstanding, assuming no exercise of our outstanding options or warrants other than those options exercised by certain selling stockholders for the purpose of selling shares in this offering. Of these shares, the common stock sold in our IPO and the shares sold in this offering will be freely tradable, except for any shares purchased by our "affiliates" as defined in Rule 144 under the Securities Act of 1933. The holders of 12,161,533 shares of common stock have signed lock-up agreements under which they have agreed not to sell, transfer or dispose of, directly or indirectly, any shares of our common stock or any securities into or exercisable or exchangeable for shares of our common stock without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 90 days, subject to a possible extension under certain circumstances, after the date of this prospectus. Another 6,137,658 shares will not be subject to the new 90-day restricted period but remain subject to the 180-day restricted period in connection with our IPO, ending November 17, 2009, in some cases, subject to extension. After the expiration of the lock-up period, these shares may be sold in the public market, subject to prior registration or qualification for an exemption from registration, including, in the case of shares held by affiliates, compliance with the volume restrictions of Rule 144. To the extent that any of these stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the contractual lock-ups and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly.

In addition, (i) the 2,395,096 shares subject to outstanding options under our 1999 Stock Plan, as amended, as of June 30, 2009, and (ii) the 1,405,664 shares reserved for future issuance under our 2009 Equity Incentive Award Plan, as of June 30, 2009, that will become available for issuance under our 2009 Equity Incentive Award Plan, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our common stock could decline substantially.

If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Our management will continue to have broad discretion over the use of the proceeds we received in our IPO and might not apply the proceeds in ways that increase the value of your investment.

Our management will continue to have broad discretion to use the net proceeds to us from our IPO. Our management might not apply the net proceeds from the IPO in ways that increase the value of our common stock. To date we have not utilized any of our proceeds from the IPO. We expect to use the net proceeds to us from the IPO for working capital and other general corporate purposes, including the funding of our marketing activities and the costs of operating as a public company, as well as further investment in the development of our proprietary technologies. We may also use a

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portion of the net proceeds for the acquisition of businesses, solutions and technologies that we believe are complementary to our own. We have not allocated the net proceeds from our IPO for any specific purposes. Until we use the net proceeds to us from the IPO, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply the net proceeds from the IPO in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;

no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;

a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and

advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

our ability to accurately forecast revenues and appropriately plan our expenses;

the impact of worldwide economic conditions, including the resulting effect on consumer spending;

our ability to maintain an adequate rate of growth;

our ability to effectively manage our growth;

our ability to attract new restaurant customers;

our ability to increase the number of visitors to our website and convert those visitors into diners who reserve a table using our website and then dine with our restaurant customers;

our ability to retain existing restaurant customers and diners or encourage repeat reservations;

our ability to provide a high-quality customer experience through our website and ERB;

our ability to successfully enter new markets and manage our international expansion;

the impact of fluctuations in currency exchange rates;

the effects of increased competition in our business;

our ability to keep pace with changes in technology and our competitors;

our ability to successfully manage any future acquisitions of businesses, solutions or technologies;

the success of our marketing efforts;

interruptions in service and any related impact on our reputation;

the attraction and retention of qualified employees and key personnel;

our ability to protect our intellectual property, including our proprietary ERB;

costs associated with defending intellectual property infringement and other claims;

the effects of natural or man-made catastrophic events;

the effectiveness of our internal controls;

changes in government regulation affecting our business; and

other risk factors included under "Risk Factors" in this prospectus.

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In addition, in this prospectus, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential" and similar expressions, as they relate to our company, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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USE OF PROCEEDS

The selling stockholders, including certain members of our board of directors and management, will receive all of the proceeds from this offering, and we will not receive any proceeds from the sale of shares in this offering. See "Principal and Selling Stockholders." Any proceeds received by us in connection with the exercise of options to purchase shares of our common stock by certain selling stockholders in connection with this offering will be used for general corporate purposes.

PRICE RANGE OF COMMON STOCK

Our common stock has been listed on The NASDAQ Global Market under the symbol "OPEN" since our IPO. Before then, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported by The NASDAQ Global Market:

	High	Low
Second Quarter 2009 (beginning May 21, 2009)	\$35.50	\$24.50
Third Quarter 2009 (through September 22, 2009)	\$32.94	\$25.84

On September 22, 2009, the closing price as reported on The NASDAQ Global Market of our common stock was \$29.57 per share. As of June 30, 2009, we had approximately 290 holders of record of our common stock.

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of June 30, 2009.

	As of June 30, 2009
	(In thousands)
Cash, cash equivalents and short-term investments	\$ 63,343
Stockholders' equity:	
Common stock (100,000,000 shares authorized and 22,128,580 shares issued and outstanding)	2
Additional paid-in capital	122,989
Treasury stock	(647)
Accumulated other comprehensive loss	(37)
Accumulated deficit	(57,285)
Total stockholders' equity	65,022
Total capitalization	\$ 65,022

The outstanding share information set forth above is as of June 30, 2009 and excludes:

1,405,664 shares of common stock, subject to increase on an annual basis, reserved for issuance under our 2009 Equity Incentive Award Plan;

2,395,096 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock granted pursuant to our 1999 Stock Plan (including an aggregate of 143,602 shares of common stock that will be issued upon the exercise of options at a weighted average exercise price of \$3.87 per share by certain selling stockholders and sold by them in this offering) at a weighted average exercise price of \$7.34 per share; and

88,691 shares of common stock issuable upon the exercise of an outstanding warrant at an exercise price of \$1.00 per share.

All share and per share information referenced through this prospectus have been retroactively adjusted to reflect a 1-for-12.5 reverse stock split of our common stock and preferred stock effected on May 20, 2009.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected historical consolidated financial data below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included in this prospectus.

The consolidated statements of operations data for the years ended December 31, 2006, 2007 and 2008 and the consolidated balance sheets data as of December 31, 2007 and 2008 are derived from our audited consolidated financial statements included in this prospectus. The consolidated statements of operations data for the years ended December 31, 2004 and 2005 and the consolidated balance sheets data as of December 31, 2004, 2005 and 2006 are derived from our audited consolidated financial statements not included in this prospectus. The unaudited consolidated statements of operations data for the six months ended June 30, 2008 and 2009, and the unaudited consolidated balance sheet data as of June 30, 2009, are derived from our unaudited consolidated financial statements that are included elsewhere in the prospectus. We have prepared the unaudited information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Results for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2009. Historical results are not necessarily indicative of the results to be expected in the future.

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	Years Ended December 31,					Six Months Ended June 30,	
	2004	2005	2006	2007	2008	2008	2009
(In thousands, except per share amounts)							
Consolidated Statements of Operations Data:							
REVENUES	\$ 10,142	\$ 16,715	\$ 27,168	\$ 41,148	\$ 55,844	\$ 27,121	\$ 32,385
COSTS AND EXPENSES:							
Operations and support(1)	5,588	8,016	9,548	12,603	17,760	8,345	10,118
Sales and marketing(1)	4,944	6,529	7,675	11,326	14,830	7,310	7,808
Technology(1)	2,165	2,969	4,024	5,863	9,511	4,579	5,311
General and administrative(1)	2,898	4,191	5,972	12,212	13,117	6,556	6,942
Total costs and expenses	15,595	21,705	27,219	42,004	55,218	26,790	30,179
Income (loss) from operations	(5,453)	(4,990)	(51)	(856)	626	331	2,206
Other income, net	(3)	323	421	951	468	323	146
Income (loss) before taxes	(5,456)	(4,667)	370	95	1,094	654	2,352
Income tax expense (benefit)			176	(9,121)	2,118	513	1,294
NET INCOME (LOSS)	\$ (5,456)	\$ (4,667)	\$ 194	\$ 9,216	\$ (1,024)	\$ 141	\$ 1,058
Net income (loss) per share:							
Basic	\$ (0.73)	\$ (0.55)	\$ 0.02	\$ 0.97	\$ (0.10)	\$ 0.01	\$ 0.08
Diluted	\$ (0.73)	\$ (0.55)	\$ 0.01	\$ 0.46	\$ (0.10)	\$ 0.01	\$ 0.05
Weighted average shares outstanding:							
Basic	7,496	8,487	9,132	9,522	10,016	9,906	12,802
Diluted	7,496	8,487	19,523	20,019	10,016	20,754	21,602

(1)

Stock-based compensation included in above line items:

Operations and support	\$ 31	\$ 23	\$ 58	\$ 290	\$ 339	\$ 174	\$ 154
Sales and marketing	50	36	67	709	878	465	408
Technology	30	50	64	288	694	360	291
General and administrative	76	187	520	1,816	2,059	1,132	831
Total	\$ 187	\$ 296	\$ 709	\$ 3,103	\$ 3,970	\$ 2,131	\$ 1,684

	Years Ended December 31,					Six Months Ended June 30,	
	2004	2005	2006	2007	2008	2008	2009
Other Operational Data:							
Installed restaurants (at period end):							
North America	2,423	3,873	5,583	7,391	9,295	8,350	9,971
International		71	204	470	1,040	764	1,193
Total	2,423	3,944	5,787	7,861	10,335	9,114	11,164

Seated diners (in thousands):

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North America	4,574	8,322	15,171	24,614	33,636	16,849	19,993
International		10	84	244	542	253	392
Total	4,574	8,332	15,255	24,858	34,178	17,102	20,385

Headcount (at period end):

North America	128	143	152	192	238	219	252
International	3	9	16	34	59	49	61
Total	131	152	168	226	297	268	313

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(In thousands)

Additional Financial Data:

Revenues:

North America	\$ 10,142	\$ 16,618	\$ 26,654	\$ 39,601	\$ 53,065	\$ 25,822	\$ 30,724
International		97	514	1,547	2,779	1,299	1,661
Total	\$ 10,142	\$ 16,715	\$ 27,168	\$ 41,148	\$ 55,844	\$ 27,121	\$ 32,385

Income (loss) from operations:

North America	\$ (5,326)	\$ (3,373)	\$ 3,106	\$ 4,974	\$ 9,088	\$ 4,580	\$ 5,284
International	(127)	(1,617)	(3,157)	(5,830)	(8,462)	(4,249)	(3,078)
Total	\$ (5,453)	\$ (4,990)	\$ (51)	\$ (856)	\$ 626	\$ 331	\$ 2,206

Depreciation and amortization:

North America	\$ 645	\$ 1,260	\$ 2,029	\$ 2,817	\$ 4,026	\$ 1,838	\$ 2,322
International		21	89	184	350	160	215
Total	\$ 645	\$ 1,281	\$ 2,118	\$ 3,001	\$ 4,376	\$ 1,998	\$ 2,537

As of December 31,

June 30,
2009

2004 2005 2006 2007 2008

(In thousands)

Consolidated Balance Sheets Data:

Cash and cash equivalents	\$ 2,475	\$ 8,076	\$ 10,264	\$ 21,661	\$ 5,528	\$ 20,650
Short-term investments	12,000	504			17,259	42,693
Property and equipment, net	2,316	4,619	6,019	8,378	11,125	11,119
Working capital	12,456	5,389	5,655	9,759	14,745	54,944
Total assets	19,816	17,248	21,124	45,814	50,883	90,121
Dining rewards payable	1,224	2,021	3,499	5,836	8,462	9,993
Preferred Stock	21,909	21,909	21,909	21,909	21,909	
Total stockholders' equity	12,552	8,324	8,907	22,485	26,684	65,022

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions include our proprietary Electronic Reservation Book, or ERB, for restaurant customers and www.opentable.com, a popular restaurant reservation website for diners. The OpenTable network includes approximately 11,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated approximately 110 million diners through OpenTable reservations; during the three months ended June 30, 2009, we seated an average of approximately three million diners per month. Restaurants pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Our online restaurant reservation service is free to diners. For the twelve months ended December 31, 2008 and the six months ended June 30, 2009, our net revenues were \$55.8 million and \$32.4 million, respectively. For the twelve months ended December 31, 2008 and the six months ended June 30, 2009, our subscription revenues accounted for 54% and 53% of our total revenues, respectively, and our reservation revenues accounted for 41% and 43% of our total revenues, respectively.

In 2004, we began to selectively expand outside of North America into countries that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. To date, we have concentrated our international efforts in Germany, Japan and the United Kingdom. Our revenues outside of North America for the twelve months ended December 31, 2008 and the six months ended June 30, 2009, were \$2.8 million and \$1.7 million, respectively, or 5% and 5% of our total revenues, respectively. We intend to continue to incur substantial expenses in advance of recognizing material related revenues as we attempt to further penetrate our existing international markets and selectively enter new markets. Some international markets may fail to meet our expectations, and we may decide to realign our focus, as we did when we closed our offices in Spain and France in the fourth quarter of 2008.

Basis of Presentation

General

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

Revenues

We generate substantially all of our revenues from our restaurant customers; we do not charge any fees to diners. Our revenues include installation fees for our ERB (including training), monthly subscription fees and a fee for each restaurant guest seated through online reservations. Installation fees are recognized on a straight-line basis over an estimated customer life of approximately six years.

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Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered to our restaurant customers. Revenues from online reservations are recognized on a transaction basis as the diners are seated by the restaurant. Revenues are shown net of redeemable Dining Points issued to diners as described in "Critical Accounting Policies and Estimates Dining Rewards Loyalty Program" below.

Costs and Expenses

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

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

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

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

Headcount consists of full-time equivalent employees, as well as full-time equivalent contractors, in all of the sections noted below.

Other Income, Net

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

Income Taxes

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

As of December 31, 2008, for federal and state tax purposes, we had \$10.4 million of federal and \$9.8 million of state net operating loss carryforwards available to reduce future taxable income. These net operating loss carryforwards begin to expire in 2023 and 2009 for federal and state tax purposes, respectively. Our ability to use our net operating loss carryforwards to offset any future

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taxable income will be subject to limitations attributable to equity transactions that resulted in a change of ownership as defined by Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. We have \$15.0 million in unrecognized tax benefits primarily as a result of the limitations on our net operating loss carryforwards. In the event that any unrecognized tax benefits are recognized, the effective tax rate will be affected. Approximately \$14.3 million of the unrecognized tax benefit would impact the effective tax rate if recognized. Our policy is to classify interest accrued or penalties related to unrecognized tax benefits as a component of income tax expense. No such interest or penalties have been recorded to date.

Our net deferred tax assets consist primarily of net operating loss carryforwards generated before we achieved profitability. During the fourth quarter of 2007, we concluded that it was more likely than not that we would be able to realize the benefit of these deferred tax assets in the future. Consequently, we recognized a net tax benefit of \$9.4 million in the fourth quarter of 2007 resulting primarily from the release of substantially all of the net deferred tax valuation allowance. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to be able to realize a portion of the tax benefits associated with the deferred tax assets. We will continue to assess the need for a valuation allowance on the deferred tax asset by evaluating both positive and negative evidence that may exist. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement of the periods that the adjustment is determined to be required.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, the points-based loyalty program, website and software development costs, income taxes and stock-based compensation have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, please see Note 2 of the accompanying notes to our consolidated financial statements.

Revenue Recognition

Our revenues include installation fees for our ERB (including training), monthly subscription fees and a fee for each restaurant guest seated through online reservations. We provide our application as a service, and follow the provisions of SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB No. 104) and FASB Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF No. 00-21). We recognize revenue when all of the following conditions are met: there is persuasive evidence of an arrangement; the service has been provided to the customer; the collection of the fees is reasonably assured; and the amount of fees to be paid by the customer is fixed or determinable. Amounts paid by the customer include the right to use our hardware during the service period. Proportionate revenue related to the right to use our hardware accounts for less than 10% of revenues for the periods presented.

Revenues from the installation of our ERB are recognized on a straight-line basis over the estimated customer life, commencing with customer acceptance. The estimated customer life is approximately six years, based on historical restaurant customer termination activity. Estimates made by

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us may differ from actual customer lives. These differences may materially impact installation and other revenue by increasing or decreasing revenue, depending on whether the estimated customer life decreases or increases. A change in the estimated customer life by one year in either direction would have a minimal impact to total revenue of less than 1%. Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered. Reservation revenues (or per seated diner fees) are recognized on a transaction-by-transaction basis as diners are seated by our restaurant customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenues or revenues, depending on whether the revenue recognition criteria have been met. Revenues are shown net of redeemable Dining Points issued to diners (as described below).

Dining Rewards Loyalty Program

We provide a points-based loyalty program, OpenTable Dining Rewards, to registered diners who book and honor reservations through the OpenTable website. OpenTable Dining Rewards involves the issuance of "Dining Points," which can be accumulated and redeemed for "Dining Cheques." The standard award is 100 points per reservation, but diners can earn 1,000 points for reservations during featured times under the OpenTable Dining Rewards program. When a diner accumulates a minimum of 2,000 points, he or she may redeem them for a \$20 Dining Cheque. Every 100 Dining Points is equal to one dollar. Diners may present Dining Cheques at any OpenTable restaurant and their bill is reduced by the cheque amount. The restaurant then deposits the Dining Cheque to its bank.

If a diner does not make a seated reservation within any 12-month period, then his or her account is considered inactive and the Dining Points balance is reset to zero. As is typical with points-based incentive programs, many Dining Points expire unused. In addition, some Dining Cheques are never used. The recorded expense is an estimate of the eventual cash outlay related to the issued Dining Points and is booked at the time the points are earned by the diner (i.e., when the diner is "seated" by the restaurant). We estimate the cost of the issued Dining Points by analyzing historical patterns of redemption and cheque cashing activity. These historical patterns are evaluated in light of any current or proposed program changes that may impact future point redemption. Actual redemption rates could differ from our estimates used in assessing the contra-revenue amounts and corresponding liability, particularly if participation in our premium listings programs, with higher point awards, increases. These differences could materially impact reservation revenues. For example, an increase of 10% in the redemption rate as of June 30, 2009 would result in a reduction in revenues of \$1.8 million and an increase in the dining rewards payable liability of 19%.

We recognize the cost and a corresponding liability associated with Dining Points as contra-revenue in accordance with EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)* (EITF 01-09) and EITF Issue No. 00-22, *Accounting for "Points" and Certain Other Time- or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future* (EITF 00-22).

Website and Software Development Costs

Costs related to website and internal-use software are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1) and EITF Issue No. 00-2, *Accounting for Website Development Costs* (EITF 00-2). Such software is primarily related to our website, including support systems. In accordance with SOP 98-1 and EITF 00-2, we capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated between two to four years. Costs incurred prior to

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meeting these criteria are expensed as incurred. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and expensed over the estimated useful life of the enhancements.

We follow the guidance in Statement of Financial Accounting Standard No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* (SFAS 86) in accounting for costs incurred in connection with development of the software contained in the ERB used by all restaurant customers, and in a limited number of certain transactions we sell reservation systems that do not include our ongoing service. All costs incurred to establish the technological feasibility of a computer product to be sold, leased or otherwise marketed are expensed as incurred. Costs incurred subsequent to establishing technological feasibility and through general product release are capitalized and amortized over the estimated product life. The period between technological feasibility and general product release is extremely short for us, and the costs incurred during this stage are not considered to be material and are expensed as incurred.

Income Taxes

We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We operate in various tax jurisdictions and are subject to audit by various tax authorities. We provide for tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

On January 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* (FIN 48), which supplements FASB Statement No. 109 by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects of a position be recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more likely than not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle as of the date of adoption. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

Stock-based Compensation

Prior to January 1, 2006, we accounted for stock-based employee compensation arrangements using the intrinsic value method of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related interpretations, and complied with the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123) as amended by SFAS No. 148, *Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment to SFAS*

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Statement No. 123 (SFAS 148). Under APB 25 compensation expense for employees is based on the excess, if any, of the fair value of our common stock over the exercise price of the option on the date of grant.

Effective January 1, 2006, we adopted SFAS No. 123R, *Share-Based Payment* (SFAS No. 123R), which requires compensation expense related to share-based transactions, including employee stock options, to be measured and recognized in the financial statements based on fair value. SFAS No. 123R revises SFAS No. 123, as amended, and supersedes APB 25. We adopted SFAS No. 123R using the modified prospective method. Under modified prospective application, SFAS No. 123R applies to new awards and to awards modified, repurchased or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date are recognized as the requisite service is rendered on or after the required effective date. The compensation expense for that portion of awards is based on the grant-date fair value of those awards. The compensation expense for awards with grant dates prior to January 1, 2006, are attributed to periods beginning on or after the effective date using the attribution method that was used under SFAS No. 123, except that the method of recognizing forfeitures only as they occur is not continued.

We are using the graded vesting attribution method prescribed by SFAS No. 123R, over the option vesting period, for all options granted on or after January 1, 2006. All options granted prior to 2006 are being amortized using a straight-line method.

The fair values of the common stock underlying stock options granted during the fourth quarter of 2007 and 2008 were estimated by our board of directors, which intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the date of grant. In the absence of a public trading market, our board of directors considered numerous objective and subjective factors to determine its best estimate of the fair market value of our common stock as of the date of each option grant, including but not limited to, the following factors: (i) the rights, preferences and privileges of our preferred stock relative to the common stock; (ii) our performance and stage of development; (iii) valuations of our common stock; and (iv) the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions. The assumptions we use in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

In April 2008, in connection with the preparation of our consolidated financial statements, we performed a retrospective analysis to reassess the fair value of our common stock at certain option grant dates for financial reporting purposes. We performed a retrospective valuation analysis as of December 2007 and March 2008. The valuation analysis consisted of two major steps: the estimation of the aggregate value of the entire company (referred to as Business Enterprise Value, or BEV) and the allocation of this aggregate value to each element of the contemporary capital structure (preferred stock, common stock, options and warrants). As described below, the BEV was estimated using a combination of income and market-based methods. The allocation of the BEV to equity classes was performed using an option-based method as of each valuation date.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value

In determining the fair value of our BEV and common stock, we used a combination of the income approach and the market approach to estimate our aggregate BEV at each valuation date: December 2007 and March 2008.

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The income approach is an estimate of the present value of the future monetary benefits expected to flow to the owners of a business. It requires a projection of the cash flows that the business is expected to generate over a forecast period and an estimate of the present value of cash flows beyond that period, which is referred to as residual value. These cash flows are converted to present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risks inherent in the business. The market approach considers multiples of financial metrics based on both acquisitions and trading multiples of a peer group of companies. These multiples are then applied to our financial metrics to derive an indication of value.

Our indicated BEV at each valuation date was then allocated to the shares of redeemable convertible preferred stock, warrants to purchase shares of redeemable convertible preferred stock, and common stock, using a contingent claim methodology. This methodology treats the various components of our capital structure as a series of call options on the proceeds expected from the sale of the company or the liquidation of our assets at some future date. These call options are then valued using the Black-Scholes option pricing model. This model defines the securities' fair values as functions of the current fair value of the company and assumptions based on the securities' rights and preferences. As a result, the option-pricing method requires assumptions regarding the anticipated timing of a potential liquidity event, such as an initial public offering, and the estimated volatility of our equity securities. The anticipated timing of a liquidity event utilized in these valuations was based on then current plans and estimates of our board of directors and management regarding an initial public offering. Estimates of the volatility of our stock were based on available information on the volatility of capital stock of comparable publicly traded companies.

Common Stock Valuations

We granted stock options with the following exercise prices during the twelve months ended December 31, 2008:

Option Grant Dates	Number of Shares Underlying Options	Exercise Price Per Share	Fair Market Value Per Underlying Share as of Grant Date	Intrinsic Value
March 2008	398,446	\$ 7.75	\$ 10.63	\$ 2.88
May 2008	48,000	10.63	10.63	
December 2008	115,400	10.63	10.63	

No stock options were granted in the six months ended June 30, 2009.

In determining the fair value of our BEV and common stock, we conducted retrospective valuations using the approaches mentioned above. These valuations resulted in estimated fair value of our common stock for accounting purposes of \$10.63 per share at March 2008.

Under SFAS No. 123R, the fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. We determined weighted average valuation assumptions as follows:

Volatility. As we do not have a trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the median historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry similar in size, stage of life cycle and financial leverage. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low.

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Expected term. The expected term was estimated using the simplified method allowed under SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*.

Risk free rate. The risk free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Forfeiture rate. We estimated the forfeiture rate using our historical experience with forfeitures. We review the estimated forfeiture rates each period end and make changes as factors affecting the forfeiture rate calculations and assumptions change.

Dividend yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

The following table summarizes the assumptions relating to our stock options for the year ended December 31, 2008:

	Year Ended December 31, 2008
Dividend yield	0%
Volatility	55%
Risk free interest rate	1.54%-3.34%
Expected term, in years	5.92-6.53

No stock options were granted in the six months ended June 30, 2009.

Using the Black-Scholes option pricing model, we recorded non-cash stock-based compensation expenses related to employee stock options granted of approximately \$4.0 million in 2008 and approximately \$1.7 million for the six months ended June 30, 2009, in accordance with the requirements of SFAS No. 123R.

Table of Contents**Results of Operations**

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

	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
(In thousands, except per share amounts)					
REVENUES	\$ 27,168	\$ 41,148	\$ 55,844	\$ 27,121	\$ 32,385
COSTS AND EXPENSES:					
Operations and support(1)	9,548	12,603	17,760	8,345	10,118
Sales and marketing(1)	7,675	11,326	14,830	7,310	7,808
Technology(1)	4,024	5,863	9,511	4,579	5,311
General and administrative(1)	5,972	12,212	13,117	6,556	6,942
Total costs and expenses	27,219	42,004	55,218	26,790	30,179
Income (loss) from operations	(51)	(856)	626	331	2,206
Other income, net	421	951	468	323	146
Income before taxes	370	95	1,094	654	2,352
Income tax expense (benefit)	176	(9,121)	2,118	513	1,294
NET INCOME (LOSS)	\$ 194	\$ 9,216	\$ (1,024)	\$ 141	\$ 1,058
Net income (loss) per share:					
Basic	\$ 0.02	\$ 0.97	\$ (0.10)	\$ 0.01	\$ 0.08
Diluted	\$ 0.01	\$ 0.46	\$ (0.10)	\$ 0.01	\$ 0.05
Weighted average shares outstanding:					
Basic	9,132	9,522	10,016	9,906	12,802
Diluted	19,523	20,019	10,016	20,754	21,602

(1)

Stock-based compensation included in above line items:

Operations and support	\$ 58	\$ 290	\$ 339	\$ 174	\$ 154
Sales and marketing	67	709	878	465	408
Technology	64	288	694	360	291
General and administrative	520	1,816	2,059	1,132	831
Total	\$ 709	\$ 3,103	\$ 3,970	\$ 2,131	\$ 1,684

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	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
Other Operational Data:					
Installed restaurants (at period end):					
North America	5,583	7,391	9,295	8,350	9,971
International	204	470	1,040	764	1,193
Total	5,787	7,861	10,335	9,114	11,164
Seated diners (in thousands):					
North America	15,171	24,614	33,636	16,849	19,993
International	84	244	542	253	392
Total	15,255	24,858	34,178	17,102	20,385
Headcount (at period end):					
North America	152	192	238	219	252
International	16	34	59	49	61
Total	168	226	297	268	313

(In thousands)

Additional Financial Data:					
Revenues:					
North America	\$ 26,654	\$ 39,601	\$ 53,065	\$ 25,822	\$ 30,724
International	514	1,547	2,779	1,299	1,661
Total	\$ 27,168	\$ 41,148	\$ 55,844	\$ 27,121	\$ 32,385
Income (loss) from operations:					
North America	\$ 3,106	\$ 4,974	\$ 9,088	\$ 4,580	\$ 5,284
International	(3,157)	(5,830)	(8,462)	(4,249)	(3,078)
Total	\$ (51)	\$ (856)	\$ 626	\$ 331	\$ 2,206
Depreciation and amortization:					
North America	\$ 2,029	\$ 2,817	\$ 4,026	\$ 1,838	\$ 2,322
International	89	184	350	160	215
Total	\$ 2,118	\$ 3,001	\$ 4,376	\$ 1,998	\$ 2,537

	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
(As a percentage of revenues)					
REVENUES	100%	100%	100%	100%	100%
COSTS AND EXPENSES:					

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Operations and support	35	31	32	31	31
Sales and marketing	28	27	27	27	24
Technology	15	14	17	17	16
General and administrative	22	30	23	24	21
Total costs and expenses	100	102	99	99	93
Income (loss) from operations	(0)	(2)	1	1	7
Other income, net	2	2	1	1	0
Income before taxes	2	0	2	2	7
Income tax expense (benefit)	1	(22)	4	1	4
NET INCOME (LOSS)	1%	22%	(2)%	1%	3%

Table of Contents**Six Months Ended June 30, 2008 and 2009****Revenues**

	Six Months Ended June 30,		% Change
	2008	2009	
(Dollars in thousands)			
Revenues by type:			
Subscription	\$ 14,303	\$ 17,089	19%
Reservation	11,667	13,832	19
Installation and other	1,151	1,464	27
Total	\$ 27,121	\$ 32,385	19%
Percentage of revenues by type:			
Subscription	53%	53%	
Reservation	43	43	
Installation and other	4	4	
Total	100%	100%	
Revenues by location:			
North America	\$ 25,822	\$ 30,724	19%
International	1,299	1,661	28
Total	\$ 27,121	\$ 32,385	19%
Percentage of revenues by location:			
North America	95%	95%	
International	5	5	
Total	100%	100%	

Total revenues increased \$5.3 million, or 19%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Subscription revenues increased \$2.8 million, or 19%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Subscription revenues increased as a result of the increase in installed restaurants. Reservation revenues increased \$2.2 million, or 19%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Reservation revenues increased as a result of the increase in seated diners.

Costs and Expenses**Operations and Support**

	Six Months Ended June 30,		% Change
	2008	2009	
(Dollars in thousands)			
Operations and support	\$8,345	\$10,118	21%
Headcount (at period end):			
North America	69	76	10
International	23	26	13

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Total	92	102	11%
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Our operations and support expenses increased \$1.8 million, or 21%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase in operations and support expenses was primarily attributable to an increase of \$0.8 million in headcount related costs due to an increase in operations and support headcount, as well as a \$0.8 million increase in restaurant equipment depreciation, as a result of the increased installed base of restaurants.

Sales and Marketing

	Six Months Ended June 30,		% Change
	2008	2009	
	(Dollars in thousands)		
Sales and marketing	\$ 7,310	\$ 7,808	7%
Headcount (at period end):			
North America	47	59	26
International	21	28	33
Total	68	87	28%

Our sales and marketing expenses increased \$0.5 million, or 7%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase in sales and marketing expenses was primarily attributable to a \$0.4 million increase in headcount related costs, related to the increase in sales and marketing headcount.

Technology

	Six Months Ended June 30,		% Change
	2008	2009	
	(Dollars in thousands)		
Technology	\$ 4,579	\$ 5,311	16%
Headcount (at period end):			
North America	65	72	11
International			
Total	65	72	11%

Our technology expenses increased \$0.7 million, or 16%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase in technology expenses was primarily attributable to a \$0.5 million increase in headcount related costs, resulting from an increase in technology headcount. We increased our technology headcount to address website and ERB enhancements, internationalization of our solutions and website, and system control enhancements.

Table of Contents*General and Administrative*

	Six Months Ended June 30,		% Change
	2008	2009	
	(Dollars in thousands)		
General and administrative	\$ 6,556	\$ 6,942	6%
Headcount (at period end):			
North America	38	45	18
International	5	7	40
Total	43	52	21%

Our general and administrative expenses increased \$0.4 million, or 6%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase was primarily attributable to a \$0.1 million increase in headcount related costs as a result of increases in headcount, and a \$0.5 million increase in bad debt expense.

Other Income, Net

	Six Months Ended June 30,		% Change
	2008	2009	
	(Dollars in thousands)		
Other income, net	\$ 323	\$ 146	(55)%

Other income, net decreased \$0.2 million, or 55%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The decrease was the result of less interest income being earned on cash, cash equivalents and short-term investments in 2009, as a result of lower short-term interest rates in 2009 compared to 2008.

Income Taxes

	Six Months Ended June 30,		% Change
	2008	2009	
	(Dollars in thousands)		
Income tax expense	\$ 513	\$ 1,294	152%

Income tax expense increased \$0.8 million, or 152%, for the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Our effective tax rate is expected to be lower in 2009 than 2008 due to our largest permanent difference, non-deductible stock-based compensation, being a smaller percentage of taxable income, than experienced in 2008.

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Years ended December 31, 2006, 2007 and 2008

Revenues

	Years Ended December 31,			2006 to	2007 to
	2006	2007	2008	2007 %	2008 %
(Dollars in thousands)					
Installed restaurants (at period end):					
North America	5,583	7,391	9,295	32%	26%
International	204	470	1,040	130	121
Total	5,787	7,861	10,335	36%	31%
Seated diners (in thousands):					
North America	15,171	24,614	33,636	62%	37%
International	84	244	542	190	122
Total	15,255	24,858	34,178	63%	37%
Revenues by type:					
Subscription	\$15,454	\$22,434	\$30,293	45%	35%
Reservation	10,664	17,010	23,135	60	36
Installation and other	1,050	1,704	2,416	62	42
Total	\$27,168	\$41,148	\$55,844	51%	36%
Percentage of revenues by type:					
Subscription	57%	55%	54%		
Reservation	39	41	41		
Installation and other	4	4	5		
Total	100%	100%	100%		
Revenues by location:					
North America	\$26,654	\$39,601	\$53,065	49%	34%
International	514	1,547	2,779	201	80
Total	\$27,168	\$41,148	\$55,844	51%	36%
Percentage of revenues by location:					
North America	98%	96%	95%		
International	2	4	5		
Total	100%	100%	100%		

2007 compared to 2008. Total revenues increased \$14.7 million, or 36%, from 2007 to 2008. Subscription revenues increased to \$30.3 million in 2008 from \$22.4 million in 2007, an increase of \$7.9 million, or 35%. Subscription revenues increased due to the increase in installed restaurants. Reservation revenues increased to \$23.1 million in 2008 from \$17.0 million in 2007, an increase of \$6.1 million, or 36%. Reservation revenues increased as a result of an increase in seated diners.

2006 compared to 2007. Total revenues increased \$14.0 million, or 51%, from 2006 to 2007. Subscription revenues increased to \$22.4 million in 2007 from \$15.5 million in 2006, an increase of \$7.0 million, or 45%. Subscription revenues increased due to the increase in installed restaurants. Reservation revenues increased to \$17.0 million in 2007 from \$10.7 million in 2006, an increase of \$6.3 million, or 60%.

Reservation revenues increased as a result of an increase in seated diners.

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

	Years Ended December 31,			2006 to 2007 % Change	2007 to 2008 % Change
	2006	2007	2008		
	(Dollars in thousands)				
Operations and support	\$9,548	\$12,603	\$17,760	32%	41%
Headcount (at period end):					
North America	58	63	78	9	24
International	5	16	28	220	75
Total	63	79	106	25%	34%

2007 compared to 2008. Operations and support expenses for the year ended December 31, 2008 were \$17.8 million compared to \$12.6 million for the year ended December 31, 2007, an increase of \$5.2 million, or 41%. The increase in operations and support expenses was primarily attributable to a \$1.9 million increase in headcount related expenses, including a \$0.4 million increase in cost at our outsourced customer support center, plus a \$1.6 million increase in restaurant equipment costs, including depreciation on restaurant hardware, equipment and shipping costs in connection with the increase in the installed base of restaurants.

2006 compared to 2007. Operations and support expenses for the year ended December 31, 2007 were \$12.6 million compared to \$9.5 million for the year ended December 31, 2006, an increase of \$3.1 million, or 32%. The increase in operations and support expenses was primarily attributable to a \$1.6 million increase in headcount related expenses related to our expansion into international markets, including a \$0.5 million increase in capacity at our outsourced customer support center, plus a \$0.7 million increase in depreciation on restaurant hardware in connection with the increase in the installed customer base. The increase in both internal and external resources was a result of increasing capacity to meet the growth of new restaurant customers and an increase in the number of customers with more complex implementation requirements.

Sales and Marketing

	Years Ended December 31,			2006 to 2007 % Change	2007 to 2008 % Change
	2006	2007	2008		
	(Dollars in thousands)				
Sales and marketing	\$7,675	\$11,326	\$14,830	48%	31%
Headcount (at period end):					
North America	35	40	50	14	25
International	7	15	24	114	60
Total	42	55	74	31%	35%

2007 compared to 2008. Sales and marketing expenses for the year ended December 31, 2007 were \$14.8 million compared to \$11.3 million for the year ended December 31, 2007, an increase of \$3.5 million, or 31%. The increase in sales and marketing expenses was primarily attributable to a \$2.5 million increase in headcount related costs, consistent with the increase in headcount. Also included in headcount and related costs was an increase in commissions of \$0.3 million consistent with the increase in newly contracted restaurant customers compared to the prior year.

2006 compared to 2007. Sales and marketing expenses for the year ended December 31, 2007 were \$11.3 million compared to \$7.7 million for the year ended December 31, 2006, an increase of \$3.7 million, or 48%. The increase in sales and marketing expenses was primarily attributable to a

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\$3.1 million increase in headcount related costs, consistent with the increase in headcount. Also included in headcount and related costs was an increase in commissions of \$1.0 million consistent with the increase in newly contracted restaurant customers compared to the prior year.

Technology

	Years Ended December 31,			2006 to 2007 % Change	2007 to 2008 % Change
	2006	2007	2008		
	(Dollars in thousands)				
Technology	\$4,024	\$5,863	\$9,511	46%	62%
Headcount (at period end):					
North America	35	59	67	69	14
International					
Total	35	59	67	69%	14%

2007 compared to 2008. Technology expenses for the year ended December 31, 2008 were \$9.5 million compared to \$5.9 million for the year ended December 31, 2007, an increase of \$3.6 million, or 62%. The increase in technology expenses was primarily attributable to a \$3.2 million increase in headcount related costs, consistent with the increase in headcount that began in the second half of 2007.

2006 compared to 2007. Technology expenses for the year ended December 31, 2007 were \$5.9 million compared to \$4.0 million for the year ended December 31, 2006, an increase of \$1.8 million, or 46%. The increase in technology expenses was primarily attributable to a \$1.6 million increase in headcount related costs, consistent with the increase in headcount. We significantly increased the size of our technology team during 2007 to support website and ERB enhancements, the international expansion of our solutions and website, and system control enhancements.

General and Administrative

	Years Ended December 31,			2006 to 2007 % Change	2007 to 2008 % Change
	2006	2007	2008		
	(Dollars in thousands)				
General and administrative	\$5,972	\$12,212	\$13,117	104%	7%
Headcount (at period end):					
North America	24	30	43	25	43
International	4	3	7	(25)	133
Total	28	33	50	18%	52%

2007 compared to 2008. General and administrative expenses for the year ended December 31, 2008 were \$13.1 million compared to \$12.2 million for the year ended December 31, 2007, an increase of \$0.9 million, or 7%. The increase in general and administrative expenses was primarily the result of an increase of \$1.6 million in headcount related costs and a \$0.6 million increase in bad debt expense. These amounts were offset by a one-time legal settlement in the amount of \$1.6 million included in the 2007 period.

2006 compared to 2007. General and administrative expenses for the year ended December 31, 2007 were \$12.2 million compared to \$6.0 million for the year ended December 31, 2006, an increase of \$6.2 million, or 104%. The increase in general and administrative expenses was primarily the result of an increase of \$2.3 million in headcount related costs, as a result of increased headcount, and an increase in professional services of \$1.7 million to support international accounting efforts. A one-time \$1.6 million legal settlement was also included in the 2007 period. Excluding the one-time

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legal settlement costs, general and administrative costs increased as a result of the growth of our financial and accounting resources.

Other Income, Net

	Years Ended December 31,			2006 to 2007 % Change	2007 to 2008 % Change
	2006	2007	2008		
	(Dollars in thousands)				
Other income, net	\$421	\$951	\$468	126%	(51)%

2007 compared to 2008. Other income, net for the year ended December 31, 2008 was \$0.5 million compared to \$1.0 million for the year ended December 31, 2007, a decrease of \$0.5 million, or 51%. The decrease in other income, net was primarily the result of a \$0.2 million decrease in interest income earned on cash, cash equivalents and short-term investments as a result of experiencing lower short-term borrowing interest rates, and a \$0.3 million increase in foreign exchange transaction loss.

2006 compared to 2007. Other income, net for the year ended December 31, 2007 was \$1.0 million compared to \$0.4 million for the year ended December 31, 2006, an increase of \$0.5 million, or 126%. The increase in other income, net was primarily the result of a \$0.4 million increase in interest income earned on cash, cash equivalents and short-term investments. Cash increased \$11.4 million from 2006 to 2007, which together with higher short-term interest rates during the first half of 2007 resulted in significantly higher interest income.

Income Taxes

	Years Ended December 31,		
	2006	2007	2008
	(Dollars in thousands)		
Income tax expense (benefit)	\$176	\$(9,121)	\$2,118

2007 compared to 2008. Income tax expense for the year ended December 31, 2008 was \$2.1 million compared to an income tax benefit of \$9.1 million for the year ended December 31, 2007. Our income tax expense in 2008 was higher than the amount using the expected statutory rate by \$1.6 million due to permanent differences, the largest of which was non-deductible stock-based compensation. The income tax benefit in 2007 was primarily the result of releasing substantially all of the valuation allowance against our deferred tax asset.

2006 compared to 2007. In 2006, we recorded income taxes that were principally attributable to foreign taxes and other minimum corporate taxes. In those periods, we offset our taxable income through the utilization of net operating loss carryforwards. In the fourth quarter of 2007, we determined that it would be more likely than not that the cumulative net operating losses and other deferred tax benefits would be realizable by us, creating a \$9.1 million income tax benefit due to the deferred tax asset recorded on our balance sheet at the end of 2007.

Table of Contents**Quarterly Results of Operations Data**

The following tables set forth our unaudited quarterly consolidated statements of operations data and our unaudited statements of operations data as a percentage of revenues for each of the nine quarters in the period ended June 30, 2009. We have prepared the quarterly data on a consistent basis with the audited consolidated financial statements included in this prospectus, and the financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data and reflects a 1-for-12.5 reverse stock split of our common stock and preferred stock effected on May 20, 2009. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

	For the Three Months Ended								
	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009
	(In thousands, except per share amounts)								
REVENUES	\$ 9,743	\$ 10,484	\$ 11,788	\$ 13,263	\$ 13,858	\$ 14,181	\$ 14,542	\$ 15,995	\$ 16,390
COSTS AND EXPENSES:									
Operations and support(1)	3,080	3,194	3,553	4,012	4,333	4,580	4,835	5,106	5,012
Sales and marketing(1)	2,620	2,892	3,349	3,591	3,719	3,755	3,765	3,798	4,010
Technology(1)	1,368	1,414	1,843	2,175	2,404	2,467	2,465	2,712	2,599
General and administrative(1)	2,299	4,549	3,199	3,144	3,412	3,449	3,112	3,547	3,395
Total costs and expenses	9,367	12,049	11,944	12,922	13,868	14,251	14,177	15,163	15,016
Income (loss) from operations	376	(1,565)	(156)	341	(10)	(70)	365	832	1,374
Other income, net	222	332	253	180	143	117	28	55	91
Income (loss) before taxes	598	(1,233)	97	521	133	47	393	887	1,465
Income tax expense(benefit)	63	63	(9,308)	608	(95)	337	1,268	521	773
NET INCOME (LOSS)	\$ 535	\$ (1,296)	\$ 9,405	\$ (87)	\$ 228	\$ (290)	\$ (875)	\$ 366	\$ 692
Net income (loss) per share:									
Basic	\$ 0.06	\$ (0.14)	\$ 0.97	\$ (0.01)	\$ 0.02	\$ (0.03)	\$ (0.09)	\$ 0.04	\$ 0.05
Diluted	\$ 0.03	\$ (0.14)	\$ 0.46	\$ (0.01)	\$ 0.01	\$ (0.03)	\$ (0.09)	\$ 0.02	\$ 0.03
Weighted average shares outstanding:									
Basic	9,478	9,589	9,728	9,850	9,963	10,071	10,178	10,276	15,327
Diluted	19,953	9,589	20,578	9,850	21,000	10,071	10,178	21,017	22,247

(1)

Stock-based compensation is included in above line items:

Operations and support	\$ 80	\$ 69	\$ 67	\$ 77	\$ 96	\$ 89	\$ 77	\$ 86	\$ 68
Sales and marketing	199	149	169	228	238	215	197	223	185

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Technology	74	69	79	132	229	188	145	174	117
General and administrative	188	857	573	547	584	492	436	476	355
Total	\$ 541	\$ 1,144	\$ 888	\$ 984	\$ 1,147	\$ 984	\$ 855	\$ 959	\$ 725

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	For the Three Months Ended								
	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009
Other Operational Data:									
Installed restaurants (at period end):									
North America	6,426	6,819	7,391	7,823	8,350	8,788	9,295	9,548	9,971
International	314	384	470	581	764	921	1,040	1,097	1,193
Total	6,740	7,203	7,861	8,404	9,114	9,709	10,335	10,645	11,164
Seated diners (in thousands):									
North America	5,733	6,185	7,151	8,395	8,454	8,272	8,515	9,922	10,071
International	50	61	91	123	130	120	169	186	206
Total	5,783	6,246	7,242	8,518	8,584	8,392	8,684	10,108	10,277
Headcount (at period end):									
North America	166	176	192	206	219	234	238	245	252
International	21	28	34	42	49	58	59	55	61
Total	187	204	226	248	268	292	297	300	313
(In thousands)									
Additional Financial Data:									
Revenues by location:									
North America	\$ 9,417	\$ 10,047	\$ 11,261	\$ 12,667	\$ 13,156	\$ 13,431	\$ 13,811	\$ 15,189	\$ 15,535
International	326	437	527	596	702	750	731	806	855
Total	\$ 9,743	\$ 10,484	\$ 11,788	\$ 13,263	\$ 13,858	\$ 14,181	\$ 14,542	\$ 15,995	\$ 16,390
Revenues by type:									
Subscription	\$ 5,348	\$ 5,824	\$ 6,375	\$ 6,887	\$ 7,417	\$ 7,854	\$ 8,135	\$ 8,389	\$ 8,700
Reservation	4,002	4,218	4,886	5,830	5,836	5,669	5,800	6,904	6,928
Installation and other	393	442	527	546	605	658	607	702	762
Total	\$ 9,743	\$ 10,484	\$ 11,788	\$ 13,263	\$ 13,858	\$ 14,181	\$ 14,542	\$ 15,995	\$ 16,390
Income (loss) from operations:									
North America	\$ 1,690	\$ (359)	\$ 2,137	\$ 2,409	\$ 2,171	\$ 2,187	\$ 2,321	\$ 2,326	\$ 2,958
International	(1,314)	(1,208)	(2,291)	(2,068)	(2,181)	(2,257)	(1,956)	(1,494)	(1,584)
Total	\$ 376	\$ (1,567)	\$ (154)	\$ 341	\$ (10)	\$ (70)	\$ 365	\$ 832	\$ 1,374
Depreciation and amortization:									
North America	\$ 671	\$ 733	\$ 809	\$ 877	\$ 959	\$ 1,060	\$ 1,130	\$ 1,159	\$ 1,163
International	35	44	65	74	86	92	98	104	111

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Total	\$	706	\$	777	\$	874	\$	951	\$	1,045	\$	1,152	\$	1,228	\$	1,263	\$	1,274
Stock-based compensation expense:																		
North America	\$	461	\$	1,061	\$	801	\$	872	\$	1,035	\$	892	\$	764	\$	834	\$	656
International		80		83		87		112		112		92		91		125		69
Total	\$	541	\$	1,144	\$	888	\$	984	\$	1,147	\$	984	\$	855	\$	959	\$	725

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	For the Three Months Ended								
	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009
REVENUES	100%	100%	100%	100%	100%	100%	100%	100%	100%
COSTS AND EXPENSES:									
Operations and support	32	31	30	30	31	32	33	32	31
Sales and marketing	27	28	28	28	27	27	27	24	24
Technology	14	13	16	16	17	17	17	17	16
General and administrative	23	43	27	24	25	24	21	22	21
Total costs and expenses	96	115	101	98	100	100	97	95	92
Income (loss) from operations	4	(15)	(1)	2	0	0	3	5	8
Other income, net	2	3	2	2	1	0	0	0	1
Income (loss) before taxes	6	(12)	1	4	1	0	3	5	9
Income tax expense (benefit)	1	0	(79)	5	(1)	2	9	3	5
NET INCOME (LOSS)	5%	(12)%	80%	(1)%	2%	(2)%	(6)%	2%	4%

Revenue has increased sequentially as a result of adding more installed restaurants each quarter. As the number of installed restaurants increases, subscription revenues increase. As the number of restaurants on our network increases, the number of diners using our services generally increases, and reservation revenues tend to increase. While we generally experience some seasonality in our reservation revenues, typically peaking during the holiday season from November through February (Valentine's Day), we have historically been able to consistently increase our revenues in each quarter. We expect that reservation revenues, as a percentage of total revenues, will continue to increase as our installed base of restaurants and seated diners increases over time.

Our operations and support expenses have generally increased sequentially in absolute dollars, and have remained generally consistent as a percentage of revenues over time. We expect operations and support expenses to continue to increase in absolute dollars as we add more restaurant customers to our network.

Our sales and marketing expenses have increased sequentially in absolute dollars, and have remained generally consistent as a percentage of revenues over time. We expect sales and marketing expenses to increase in absolute dollars as we increase our headcount to support further growth in North American and international markets.

Our technology expenses have generally increased sequentially in absolute dollars, and have generally increased as a percentage of revenues beginning in the fourth quarter of 2007 when we significantly increased technology headcount focused on projects related to website and ERB enhancements, internationalization and system control enhancements. We expect technology expenses to modestly increase in absolute dollars as we slow our recent rate of headcount growth in the future.

Our general and administrative expenses have generally increased sequentially in absolute dollars, and, excluding a one-time legal settlement for \$1.6 million in the third quarter of 2007, have remained generally consistent as a percentage of revenues over time, as we increased our financial and accounting resources and headcount focused on our international efforts. We expect general and administrative expenses to modestly increase in absolute dollars in the future.

In the fourth quarter of 2007, we determined that it would be more likely than not that our cumulative net operating losses and other deferred tax benefits would be realizable by us, creating a

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\$9.4 million income tax benefit due to the deferred tax asset recorded on our balance sheet at the end of 2007. In the short term, we will experience high effective tax rates as a result of stock-based compensation amounts not being deductible as an expense for tax purposes and being sizable compared to our overall income (loss) before taxes.

Liquidity and Capital Resources

	Years Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
(In thousands)					
Consolidated Statements of Cash Flows Data:					
Purchases of property and equipment	\$ 3,606	\$ 5,449	\$ 7,203	\$ 3,553	\$ 2,732
Depreciation and amortization					
North America	2,029	2,817	4,026	1,838	2,322
International	89	184	350	160	215
Total depreciation and amortization	2,118	3,001	4,376	1,998	2,537
Cash flows provided by operating activities	\$ 5,903	\$ 11,158	\$ 8,544	\$ 3,971	\$ 7,824
Cash flows used in investing activities	(3,039)	(5,025)	(24,330)	(9,217)	(28,161)
Cash flows provided by (used in) financing activities	(618)	5,269	(80)	53	35,196

As of June 30, 2009, we had cash and cash equivalents of \$20.7 million and short-term investments of \$42.7 million. Cash and cash equivalents consist of cash and money market accounts. Short-term investments consist of U.S. government agency securities, commercial paper and certificates of deposit. To date, we have experienced no loss or lack of access to our invested cash, cash equivalents or short-term investments; however, we can provide no assurances that access to our invested cash, cash equivalents and short-term investments will not be impacted by adverse conditions in the financial markets.

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

We have a \$3.0 million line of credit to fund working capital under which we have no amounts drawn down as of June 30, 2009. This line of credit expires in July 2010.

Prior to 2005, we financed our operations and capital expenditures through private sales of preferred stock, lease financing, the use of a bank-provided line of credit and operations. Since 2005, we have been able to finance our operations, including international expansion, through cash from operating activities and proceeds from the exercise of vested and unvested employee stock options. We had cash and cash equivalents of \$20.7 million at June 30, 2009, which is an increase of \$15.1 million from December 31, 2008, due to the receipt of net proceeds in the amount of \$35.0 million from our IPO in May 2009. We believe we will have sufficient cash and cash equivalents and short-term investments to support our operating activities for at least the next twelve months.

Operating Activities

For the six months ended June 30, 2009, operating activities provided \$7.8 million in cash, as a result of net income of \$1.1 million, plus \$2.5 million in depreciation and amortization, \$1.1 million in provision for bad debts and \$1.7 million in stock-based compensation. These amounts were offset by a cash usage of \$1.2 million as a result of an increased accounts receivable balance.

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In 2008, operating activities provided \$8.5 million in cash, as a result of a net loss of \$1.0 million, offset by \$4.4 million in depreciation and amortization and \$4.0 million in stock-based compensation. These amounts were offset by a cash usage of \$2.2 million as a result of an increase in accounts receivable.

In 2007, operating activities provided \$11.2 million in cash as a result of net income of \$9.2 million, depreciation and amortization amounts of \$3.0 million and stock-based compensation amounts of \$3.1 million, combined with sources of cash from a \$2.8 million increase in accounts payable and accrued expenses, a \$2.3 million increase in the Dining Points payable, and a \$1.1 million increase from deferred revenues. These amounts were offset by deferred taxes of \$9.4 million and a cash usage of \$1.8 million resulting from the increase in accounts receivable.

In 2006, operating activities provided \$5.9 million in cash as a result of \$0.2 million net income, \$2.1 million in depreciation and amortization, increases in the Dining Points payable of \$1.5 million, increases in deferred revenues of \$1.0 million and \$0.7 million in stock-based compensation.

Investing Activities

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

In addition to purchases of property and equipment, we purchased \$25.4 million (net of sales) of short-term investments in the six months ended June 30, 2009 and \$5.7 million in the six months ended June 30, 2008.

Financing Activities

Our financing activities have consisted entirely of proceeds from the issuance and repurchase of common stock, in each of the periods presented, including our IPO in May 2009. We received \$35.0 million in proceeds, net of issuance costs, from the sale of common stock in our IPO which was completed on May 21, 2009.

Quantitative and Qualitative Disclosure About Market Risk

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

Interest Rate Fluctuation Risk

We do not have any long-term borrowings.

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

Table of Contents**Foreign Currency Exchange Risk**

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

Inflation Risk

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

Off Balance Sheet Arrangements

As of June 30, 2009, we did not have any off balance sheet arrangements.

Contractual Obligations

We lease our primary office space in San Francisco, California and other locations under various non-cancelable operating leases that expire between 2009 and 2013. We have no debt obligations, other than a \$3.0 million line of credit for working capital, which to date has not had any borrowings under it. This credit facility expires in July 2010. Additionally, all property and equipment have been purchased for cash, and accordingly we have no capital lease obligations. Finally, we have no material long-term purchase obligations outstanding with any vendors or third parties.

	Payments Under Operating Leases (In thousands)
Year ending December 31:	
2009	\$ 784
2010	1,413
2011	1,323
2012	1,344
2013	454
Total	\$ 5,318

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how the acquiror of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. We are required to adopt SFAS No. 141(R) for the fiscal year beginning January 1, 2009. The adoption of SFAS No. 141(R) did not have a material impact on our financial position or results of operations at the time of adoption.

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In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements* (SFAS No. 160) which amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (ARB No. 51), to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity separate and apart from the parent's equity in the consolidated financial statements. In addition to the amendments to ARB No. 51, this statement amends SFAS No. 128, *Earnings Per Share*, so that earnings per share data will continue to be calculated the same way those data were calculated before this statements was issued. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of SFAS No. 160 did not have a material impact on our financial position or results of operations at the time of adoption.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). This statement documents the hierarchy of the various sources of accounting principles and the framework for selecting the principles used in preparing financial statements. This statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. SFAS No. 162 will not have a material impact on our consolidated financial statements.

Table of Contents**BUSINESS****Overview**

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions include our proprietary Electronic Reservation Book, or ERB, for restaurant customers and www.opentable.com, a popular restaurant reservation website for diners. The OpenTable network includes approximately 11,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated approximately 110 million diners through OpenTable reservations, and during the three months ended June 30, 2009, we seated an average of approximately three million diners per month. Restaurants pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Our online restaurant reservation service is free to diners. For the twelve months ended December 31, 2007 and 2008, our net revenues were \$41.1 million and \$55.8 million, respectively. For the twelve months ended December 31, 2007 and 2008, our subscription revenues accounted for 55% and 54% of our total revenues, respectively, our reservation revenues accounted for 41% and 41% of our total revenues, respectively, and our installation and other revenues accounted for 4% and 5% of our total revenues, respectively. For the six months ended June 30, 2008 and 2009, our subscription revenues accounted for 53% and 53% of our total revenues, respectively, our reservation revenues accounted for 43% and 43% of our total revenues, respectively, and our installation and other revenues accounted for 4% and 4% of our total revenues, respectively.

The OpenTable ERB combines proprietary software and computer hardware to deliver a solution that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. Our ERB streamlines and enhances a number of business-critical functions and processes for restaurants, including reservation management, table management, guest recognition and email marketing. This enables restaurants to manage all of their reservations—those booked by phone or online as well as walk-in diners—in one unified system. The ERB also automatically accepts online reservations in real time directly from the OpenTable website as well as from websites of our partners and restaurant customers. The ERBs at our restaurant customers connect via the Internet to form an online network of restaurant reservation books. We also operate the OpenTable website, which enables diners to quickly and conveniently find, choose and book tables at restaurants on the OpenTable network, overcoming the inefficiencies associated with the traditional process of reserving by phone. Diners appreciate the convenience of being able to secure a reservation at any time, even when the restaurant is closed, and the time savings of being able to instantly find and reserve available tables without having to call restaurants one by one until they find an available reservation that suits their needs. Online visitors come to the OpenTable website directly, via natural search engine results and via our partners' and restaurant customers' websites. During the twelve months ended December 31, 2008, less than 1% of reservations made through our website were attributable to paid-search advertising.

We initially focused on acquiring a critical mass of local restaurant customers in four metropolitan areas: Chicago, New York, San Francisco and Washington, D.C. These markets have since developed into active, local networks of restaurants and diners that continue to grow. We have applied and continue to apply the same fundamental strategy in developing and penetrating our other markets in the United States, Canada and Mexico. In 2004, we began to selectively expand into countries outside of North America that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. To date, we have concentrated our international efforts in Germany, Japan and the United Kingdom. Our revenues outside of North America for the twelve months ended December 31, 2007 and 2008, were \$1.5 million and \$2.8 million, respectively, or 4% and 5% of our total revenues, respectively. Our revenues outside of North America for the six months ended June 30, 2009, were \$1.7 million, or 5% of our total revenues.

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Restaurant Industry Background

The commercial restaurant industry is broadly divided into "quick-service" and "full-service" segments. We target our offerings to full-service restaurants that accept reservations. We believe based on our internal estimates that there are approximately 30,000 reservation-taking restaurants in North America that seat approximately 600 million diners through reservations annually, though this number fluctuates with economic and other conditions.

The ability of the restaurant industry to leverage the power of the Internet for reservation transactions has been inhibited by two key characteristics. First, the reservation-taking restaurant industry has been slow to computerize host-stand operations. During the last decade, other reservation-taking industries, such as airlines and hotels, have experienced a dramatic shift in consumer behavior as reservations have migrated from the phone to the Internet. In contrast, given the restaurant industry's relatively basic transaction needs, generally requiring only the diner's name and phone number and no advance payment, restaurant reservations historically have been largely handled by the traditional pen-and-paper reservation book, despite the inherent operational inefficiencies and potential for error. Second, the reservation-taking restaurant industry is highly fragmented, with independent restaurants and small, local restaurant groups comprising a significant majority of restaurant locations. Unlike other industries in which suppliers can deliver goods and services to customers around the world, the restaurant industry is inherently local. These conditions make it time-consuming and costly to aggregate the breadth of local restaurant table inventory required to attract a critical mass of diners to make reservations online and to create an online restaurant reservation network.

In addition, reservation-taking restaurants generally share the following operational challenges:

Profitability is dependent on filling seats. Because restaurants typically have a high fixed cost structure, restaurant profitability is heavily dependent on filling as many seats as possible. Similar to hotel rooms and airplane seats, restaurant table inventory is highly perishable, with unfilled seats representing a significant lost revenue opportunity.

Prospective business is lost due to the inefficiencies of reserving by phone. Most restaurants are not staffed to answer the phone until late morning or early afternoon, and many are only open six days per week. As a result, they lose potential business when prospective guests are not able to secure reservations by phone at their convenience. Additionally, restaurants experience costly "no-shows" when guests fail to cancel their reservations because of the inconvenience of doing so over the phone.

Managing and preserving guest information is difficult. One of the ways in which restaurants compete is by providing exceptional, personalized service, for example, by recognizing repeat diners and recalling their preferences or special occasions. Guest histories and preferences are typically stored in the memories of the maitre d' or host, and therefore the implications of losing a staff member who is familiar with a restaurant's best and most frequent guests are considerable. In an industry characterized by a high rate of employee turnover, the ability to preserve and transfer this information is critical.

Information technology resources to install and support computer-based systems are limited. Few restaurants have the technical knowledge, resources or time to install computer systems and troubleshoot problems with computer systems or Internet connectivity. At the same time, the fast pace of business operations means that restaurants cannot tolerate service interruptions from an equipment or networking failure.

Marketing opportunities with measurable results are limited. Typically, restaurants promote themselves through magazines and newspapers as well as online dining guides and directories. However, restaurants generally do not have the ability to track the number of people who ultimately dine in response to their advertisements, nor are the costs of these advertisements tied to the number of diners they attract. Therefore, restaurants usually are unable to measure or compare the effectiveness of these marketing channels.

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Diner Behavior and Trends

For many diners, part of the appeal of dining out is experiencing a variety of restaurants. Therefore, diners value sources that help them discover new restaurants and provide information about these restaurants. Historically, diners learned about restaurants through word of mouth and local print media, such as dining guides, newspapers and magazines. While diners continue to value personal recommendations, the Internet now puts a wealth of restaurant information at their fingertips. However, arguably the most important piece of information what restaurants can accommodate a dining party has been missing from online dining sources. As a result, when it comes to booking a restaurant reservation, diners have had to use the phone instead of the Internet.

Reserving by phone can be a highly inefficient and inconvenient process, requiring diners to call one restaurant at a time until they find an available reservation that meets their needs, and then make a reservation without knowing the full range of available choices. Phone reservations can only be secured during the restaurant's business hours. Diners who call when a restaurant is closed or during peak service hours oftentimes must leave a voicemail message and wait for the restaurant to call back. Diners who do get through to a reservationist may be put on hold or informed that there are no available tables at the desired time, requiring them to call another restaurant and repeat the process until they find a suitable reservation. Diners who need to change or cancel an existing reservation experience similar difficulties in doing so by phone.

The Internet has the potential to redefine the reservation experience for diners and streamline the operations and increase the return on marketing spend for reservation-taking restaurants. In order for diners to fully embrace online restaurant reservations, they need real-time access to table inventory across a broad selection of local restaurants and the ability to instantly book confirmed reservations around-the-clock.

Our Solution

Reservation-taking restaurants and diners have interconnected needs. Restaurants require cost-effective ways to attract guests and manage their reservations, while diners seek convenient ways to find available restaurants, choose among them and secure reservations. By creating an online network of restaurants and diners that transact with each other through real-time reservations, we have developed a specialized platform for addressing the needs of both.

Essential to this network is building a critical mass of local, computerized restaurant reservation books. We achieve this by offering software that provides important operational benefits for the restaurant, bundling it with computer hardware and installing this solution at the restaurant host stand, thereby creating a compelling solution for restaurants. We sell our solutions to individual restaurants within a market, typically one by one, via a direct sales force. We believe that we deliver a strong return on investment for our restaurant customers by streamlining their operations, filling additional seats and improving their quality of service. As a result, we have historically enjoyed high customer satisfaction and retention rates.

The OpenTable website gives diners real-time access to tables at restaurants on the OpenTable network. As more local restaurants are added to the network, the utility provided to diners increases and more diners discover the benefits of researching restaurants and making reservations on our website. The more diners who use our website to make their dining decisions, the more value we deliver to our restaurant customers and the more restaurants are attracted to our network.

Benefits of OpenTable to Reservation-Taking Restaurants

In response to the needs of reservation-taking restaurants, we offer the OpenTable ERB, an integrated solution consisting of proprietary OpenTable software which is installed on a touch-screen

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computer system and supported by various asset-protection and security tools. Additionally, we provide restaurants with access to diners via our website as well as through our partners' websites. Participation in the OpenTable network helps restaurants:

Fill seats that might otherwise remain empty. We help restaurants fill their seats and minimize "no-shows" by offering the convenience of online reservations directly through the OpenTable website as well as indirectly through the websites of our partners and restaurant customers, all of which are stored in the ERB. In addition, restaurants may elect to be featured in OpenTable marketing programs, which drive incremental business to participating restaurants through enhanced listings on the OpenTable website. Participating restaurants pay OpenTable a premium per-seated diner fee for diners seated in response to these special listings.

Create operational efficiencies by automating reservations and table management. The reservation module of the ERB replaces the restaurant's pen-and-paper system with a computerized reservation book that records and tracks all reservations (online, phone and walk-in) in the same system, thereby improving accuracy and efficiency. Floor management capabilities improve operational efficiencies by helping restaurants maximize seat utilization, facilitate server rotations and improve table turns.

Boost guest recognition and overall guest service. The integrated guest-management database included in the ERB enables restaurant staff to record diner preferences and histories in order to recognize repeat diners and provide them with personalized service. The ERB also includes email capabilities which provide restaurants with a cost-effective channel to reach and attract repeat diners. Additionally, we help restaurants monitor customer satisfaction by collecting and delivering guest feedback from OpenTable diners.

Computerize host-stand operations with customized, on-site installation and training and technical support. We install our ERB, which combines proprietary software and computer hardware, at the restaurant, verifying Internet connectivity, configuring the system for the restaurant's unique needs and training staff members on its use. We monitor Internet connectivity and assist the restaurant in resolving connectivity issues. Additionally, we perform nightly data backups that enable us to restore the reservation book if necessary, and we provide around-the-clock technical support.

Market to a targeted audience with measurable results. Our website enables diners to find restaurants that can accommodate them, giving restaurants valuable marketing exposure during the diners' decision-making process. Moreover, restaurants pay OpenTable only for those diners whom they ultimately serve, unlike other marketing channels such as magazines, newspapers and online dining guides and directories. Consequently, restaurants know the number of diners acquired through OpenTable and the costs of acquiring each of these diners.

Benefits of OpenTable to Diners

In response to the needs of diners, we offer the OpenTable website, a destination website for those seeking a convenient way to research restaurants and make reservations. Our website enables diners to:

Find available tables. Diners can search for reservations by location, date, time and party size and view table availability across a variety of restaurants. Because our website connects directly to the thousands of ERBs residing at OpenTable restaurants, reservation search results reflect real-time availability.

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Choose a restaurant. In response to their searches on our website, diners are presented with a list of restaurants with available reservations at their desired dining times. Diners may also click on a restaurant listing to view additional information, including restaurant descriptions, photos and menus. While making their restaurant choices, diners may also consult the OpenTable Diners' Choice lists that highlight restaurants that are most highly rated by OpenTable diners, for example, Best Overall, Best Italian, Most Romantic or Good for Groups.

Book instantly confirmed reservations for free. When a diner reserves through the OpenTable website, the reservation is instantly recorded in the ERB located at the restaurant the same system in which the host would record a phone reservation. Diners can also change or cancel reservations online as well as invite guests via email. Diners receive on-screen and email messages confirming their reservation details. Additionally, registered diners can earn Dining Reward Points when they make and honor OpenTable reservations. Points can be redeemed for Dining Cheques that are accepted at OpenTable restaurant customers.

Our Strategy

As our network of reservation-taking restaurants and diners grows, the value we deliver grows as well. Because the foundation of our network is building a critical mass of computerized reservation books, we enhance our offering to diners by adding new restaurant customers. In turn, as more diners use the OpenTable website to make their dining decisions and book their reservations, we deliver more value to our restaurant customers by helping them fill more of their seats. In this process, we grow the value of our business. The key elements of this strategy include:

Continue to Build the OpenTable Network in North America

The value of the OpenTable network grows as participation among restaurants and diners grows. Experience in our earliest markets provides a successful model that we have implemented while entering new markets, and, as a result, our newer markets in North America have grown relatively predictably over time. We intend to continue to build our North American network by employing this proven model.

Produce and maintain superior solutions. We continue to evolve our ERB based on nearly a decade of in-field experience as well as feedback from our installed base of approximately 11,000 restaurant customers. Additionally, we will continue to optimize our website through insights gained from the experience of seating approximately 110 million diners through online reservations.

Leverage our direct sales force. Over the last ten years, we have expended considerable resources to build a direct sales force skilled at selling the benefits of OpenTable to reservation-taking restaurants, which operate in an industry that is highly fragmented. We will continue to leverage our skilled direct sales force to add more restaurants to the network.

Provide excellent customer service and support. We believe that our superior customer service is an integral component of high satisfaction rates among our restaurant customers and provides us with a deep understanding of restaurant needs and general industry trends. We will continue to employ highly trained operational teams to provide installation and training services for our restaurant customers and augment our in-house support staff with contract support services to deliver superior customer assistance.

Continue to attract diners to our website by offering the best reservation experience. We believe that providing the best diner reservation experience increases market adoption of our

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services, builds our brand awareness and drives word-of-mouth referrals to our website. We continue to enhance our website for ease of use and augment it with unique, helpful restaurant content. For example, we have begun to leverage the collective feedback of OpenTable diners to publish user-generated content that diners use while making restaurant choices. We will continue to evolve the diner reservation experience on our website through usability testing and website analytics.

Expand Internationally

We intend to augment our growing North American business by selectively expanding into countries outside of North America that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. We currently have operations in Germany, Japan and the United Kingdom, each supported with a direct sales force and operational staff. We have approximately 1,200 restaurant customers in these markets. In general, our strategy internationally is to replicate the model we have successfully employed in North America. In particular, our initial focus in new international markets is to increase our restaurant customer base, and we believe the localized versions of our software solution will compete favorably against competitive software offerings, enabling us to expand our network of computerized reservation books across a broad selection of local restaurants.

Recent Development

GuestBridge, Inc. Acquisition

On September 14, 2009, we entered into an Asset Purchase Agreement, or Agreement, with GuestBridge, Inc., or GuestBridge, a provider of guest management solutions, pursuant to which we agreed to purchase substantially all of the assets and assume certain liabilities of GuestBridge for approximately \$3 million in cash, subject to customary closing conditions. The transaction is expected to close in the fourth quarter of 2009. We believe that this acquisition provides strategic benefits for our company. The Agreement contains standard representations and warranties for a transaction of this type. The terms of the transaction were the result of arm's length negotiations between us and GuestBridge.

Our Products

We have created a proprietary technology system comprised of stand-alone client-server applications located at each restaurant that connect via the Internet to our central servers which host our website. The distributed nature of this system design enables us to provide real-time solutions to our restaurant customers and to diners.

Restaurant Software and Hardware and Related Solutions

The ERB is an integrated solution consisting of proprietary OpenTable software that is installed on a dedicated, touch-screen computer system at the restaurant's host stand and supported by various asset-protection and security tools. The ERB supports reservation management, table and floor management, guest management, marketing and a number of other business processes. This functionality has evolved through seven major software releases over nine years based on feedback from and experience with thousands of restaurant customers. The software is built on a foundation that supports rapid translation into local languages.

We provide on-site installation, training and round-the-clock customer support for the ERB as part of our monthly subscription fee. We monitor Internet connectivity to the ERB, alerting restaurants when they are offline and working with them to resolve any problems we detect. We also provide data protection services, including managing firewalls and virus scanning software on all computers on our

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network to protect restaurants from harmful intrusions and performing nightly backups of each restaurant's database to prevent data loss in the event of a hardware failure. Our restaurant customers also receive a hardware replacement, populated with the restaurant's backed-up data, in the event of a computer failure, and software upgrades and updates, which are deployed automatically via the Internet to each ERB, requiring minimal interference with the restaurant's operations.

OpenTable Website

We design, build and operate the OpenTable website in North America and the United Kingdom as well as websites localized for Germany and Japan. Our system is a real-time reservation system with a patent pending on our high-speed inventory tracking and search technology. The OpenTable website maintains around-the-clock communications with restaurants on our online reservation network. As a result, any change made at the restaurant to the table inventory that affects the OpenTable website is updated on the website in real time, and diners using the website get current inventory information on every search request, typically in a few seco