

OPENTABLE INC  
Form 10-K  
February 24, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 10-K**

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(Mark One)

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

For the fiscal year ended December 31, 2011

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-34357

**OPENTABLE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3374049**  
(I.R.S. Employer  
Identification Number)

**799 Market Street, 4th Floor San Francisco, CA**  
(Address of principal executive offices)

**94103**  
(Zip Code)

**(415) 344-4200**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)  
Common Stock, \$0.0001 par value

(Name of each exchange on which registered)  
The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None.**

(Title of Class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
smaller reporting company)

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

As June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was \$1,894,568,000.

As of February 21, 2012, the number of shares of the registrant's common stock outstanding was 22,551,126.

### Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its 2012 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III.

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**PART I**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report 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 acquire new users for our websites and mobile applications;

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

the effects of increased competition in our business;

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

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

our ability to provide a high-quality customer experience through our products and services;

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

the impact of fluctuations in currency exchange rates;

the success of our marketing efforts;

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changes in consumer behavior and any related impact on the restaurant industry, especially in the geographic markets in which 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 and Connect products;

costs associated with defending intellectual property infringement and other claims;

our ability to choose and effectively manage third-party service providers;

the effects of natural or man-made catastrophic events;

the effectiveness of our internal controls;

changes in our tax rates or exposure to additional tax liabilities;

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changes in government regulation affecting our business; and

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

In addition, in this report, 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 report 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 report. 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.

**ITEM 1. BUSINESS**

**Overview**

OpenTable, Inc. (together with its subsidiaries, including toptable.co.uk Ltd., or toptable, which we acquired in October 2010, "OpenTable," the "Company," "our," "we," or "us") was incorporated on October 13, 1998, and is a Delaware corporation. We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions for restaurants include our proprietary Electronic Reservation Book, or ERB, and Connect. Our solutions for diners include our popular restaurant reservation websites, www.opentable.com and www.toptable.com, as well as a variety of mobile applications. We refer to www.opentable.com, www.toptable.com and related websites as the OpenTable websites. The OpenTable network includes approximately 25,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated over 280 million diners through OpenTable reservations, and during the three months ended December 31, 2011, we seated an average of approximately 9.0 million diners per month. Restaurants that use our ERB pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. Diners can use our online restaurant reservation service for free. For the twelve months ended December 31, 2011 and 2010, our net revenues were \$139.5 million and \$99.0 million, respectively. For the twelve months ended December 31, 2011 and 2010, our reservation revenues accounted for 53% and 48% of our total revenues, respectively, our subscription revenues accounted for 36% and 44% of our total revenues, respectively, and our other revenues accounted for 11% and 8% of our total revenues, respectively.

The ERB combines proprietary software and computer hardware to deliver a solution that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. 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 websites as well as from our mobile applications and the websites and mobile applications 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.

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For restaurants that do not require the operational benefits of the ERB, we offer Connect, a web-based solution that enables participating restaurants to receive reservations from OpenTable websites and mobile applications as well as the websites and mobile applications of our partners and restaurant customers.

For diners, the OpenTable websites and mobile applications enable them 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 websites and mobile applications directly, via search engine results and via our partners' and restaurant customers' websites and mobile applications.

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 have continued 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, 2011 and 2010, were \$20.9 million and \$8.9 million, respectively, or 15% and 9% of our total revenues, respectively.

We measure our business geographically based on two segments: North America and International. Additional information required by this item is incorporated herein by reference to Note 13 "Segment Information" of the Notes to the consolidated financial statements, beginning on page 68 of this Form 10-K.

**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 our ERB has a target audience of approximately 35,000 restaurants and Connect has a target audience of approximately 20,000 restaurants in North America. In 2011, we believe these restaurants seated approximately 725 million diners through reservations, though this number may fluctuate annually 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.

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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 maitred' 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 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.

**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



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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 can 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 to reservation-intensive restaurants software that provides them with important operational benefits, bundling it with computer hardware and installing this solution at the restaurant host stand. For restaurants that primarily serve walk-in diners, we offer a web-based system to fill more seats by offering online reservations through the OpenTable websites. 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 filling additional seats, streamlining their operations, and improving their quality of service. As a result, we have historically enjoyed high retention rates.

The OpenTable websites and mobile applications give diners real-time access to tables at restaurants on the OpenTable network that use ERB or Connect. 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 and mobile offerings. The more diners who use our services 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 ERB, an integrated solution consisting of proprietary OpenTable software which is installed on a touchscreen computer system and supported by various asset-protection and security tools. For restaurants that do not require the operational benefits of the ERB, we offer Connect, a web-based service that enables them to receive online reservations. Both offerings provide restaurants with access to diners via the OpenTable websites as well as through our mobile applications and the websites and mobile applications of, our partners and restaurants customers. Participation in the OpenTable network helps restaurants:

*Fill seats that might otherwise remain empty.* We help restaurants fill their seats by offering the convenience of online reservations directly through the OpenTable websites as well as through our mobile applications and indirectly through the websites and mobile applications of our partners and restaurant customers. In addition, restaurants may elect to be featured in OpenTable marketing programs, which drive incremental business to participating restaurants through enhanced website listings or email promotions. Restaurants pay additional fees to OpenTable to participate in these programs.

*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

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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.* The OpenTable websites and mobile applications enable 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 websites and mobile applications for those seeking a convenient way to research restaurants and make reservations. Our websites and mobile applications enable 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. Communication between our websites and mobile applications and the thousands of ERB and Connect solutions residing at OpenTable restaurants allows reservation search results to reflect real-time availability.

*Choose a restaurant.* In response to their searches on the OpenTable websites or via our mobile applications, 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 using our websites 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 websites or mobile applications, the reservation is instantly recorded in the restaurant's OpenTable solution. Diners can 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 Checks that are accepted at OpenTable restaurant customers.

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**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 OpenTable 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 restaurant solutions based on more than a decade of in-field experience as well as feedback from our installed base of approximately 25,000 restaurant customers. Additionally, we will continue to optimize our websites and mobile applications through insights gained from the experience of seating over 280 million diners through online reservations.

*Leverage our direct sales force.* Over the last thirteen 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 retention 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 websites and mobile applications by offering the best reservation experience.* We believe that providing the best diner reservation experience increases market adoption of our services, builds our brand awareness and drives word-of-mouth referrals to the OpenTable websites. We continue to enhance our websites for ease of use and augment it with unique, helpful restaurant content. For example, we 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 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 8,000 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 solutions will compete favorably against competitive offerings, enabling us to expand

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our network of computerized reservation books across a broad selection of local restaurants. To accelerate the growth of our business in the United Kingdom, on October 1, 2010, we acquired toptable, a leading restaurant reservation site in the United Kingdom.

**Our Products**

We have created a proprietary technology system that connects our ERB, a stand-alone client server application located at each restaurant, via the Internet to our data centers which host the OpenTable websites, web services and other applications. We also have created Connect, a web-based reservation system. The design of our systems 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, touchscreen 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 nine major software releases over thirteen 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, as part of our monthly subscription fee, around-the-clock customer support for the ERB. 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 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.

We also offer Connect, a web-based service that enables restaurants to accept online reservations from the OpenTable network as well as through our mobile applications and from the restaurants' own websites. Our restaurant customers log in to Connect to specify available tables by time and party size. New reservations may be conveyed to the restaurant via email, SMS text message and the restaurant's Connect account.

***OpenTable Websites***

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

In October 2010, we acquired toptable, a company providing a leading restaurant reservation site in the United Kingdom. As a result of the acquisition, we now operate www.toptable.com in the United Kingdom and various other international locations. A subset of the restaurants listed on www.toptable.com do not use ERB or Connect.

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***Mobile Solutions***

We also offer versions of the OpenTable websites optimized for use on mobile devices as well as free mobile applications for use on Amazon Fire, Android, Blackberry, iPad, iPhone, webOS, and Windows Phone smartphones. These mobile applications leverage the OpenTable network to enable diners on-the-go to view real-time table availability at restaurants that use ERB and Connect in their vicinity and book free, confirmed reservations. To date, over 20,000,000 diners have been seated through reservations booked via OpenTable mobile applications.

***Restaurant Marketing Products***

We offer our restaurant customers additional services to help fill more seats in their dining rooms. Our POP program lets restaurants offer diners bonus Dining Reward Points for reservations at select times. Participating restaurants pay a premium per-seated-diner fee for POP reservations. For restaurants with banquet spaces, we offer premium listings on our Private Dining directories.

***Table Maestro***

In August 2010, we acquired Table Maestro, a South Carolina based company that operates a telephone reservation management service for restaurants. Table Maestro provides restaurants with a lower-cost alternative to dedicated, in-house reservationists.

***OTRestaurant.com Our Website for Restaurant Customers***

We design, build and operate the OTRestaurant website, which serves as an information and services portal for OpenTable restaurant customers. The website provides restaurant customers with secure access to client-specific materials including detailed online reservation reports, online invoicing and feedback forms from recent diners. In addition, a restaurant can visit the OTRestaurant website to learn about upcoming OpenTable promotions, submit date-specific information such as Valentine's Day menus and update the profile information displayed on the OpenTable websites such as restaurant description and hours of operation. The OTRestaurant website serves as a two-way communication channel between us and our restaurant customers, which ultimately improves the support we provide and drives increased operational efficiencies.

**Sales and Marketing**

***Sales and Marketing to Restaurants***

We employ a direct sales force of regional account executives and sales representatives as well as a team of inside sales representatives. Our sales and marketing efforts focus on identifying qualified sales leads, communicating the benefits of computerizing the restaurant reservation book and filling seats through online reservations. Our marketing activities include lead generation, direct marketing, public relations and participation in trade shows and conferences.

***Marketing to Diners***

We generally benefit from significant word-of-mouth referrals and natural-search traffic to the OpenTable websites. We encourage repeat usage through our points-based loyalty program, OpenTable Dining Rewards, which allows diners to earn Dining Points when they make and honor OpenTable reservations. We also optimize our websites to improve our positioning in natural search engine results. To date, we have found limited value in print, broadcast, online or paid-search advertising, and, as a result, we do not purchase a material amount of marketing from those channels.

In addition to operating our own destination websites and mobile applications, we work with hundreds of partners to enhance their restaurant listings with OpenTable online reservation capabilities.

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We also encourage our restaurant customers to incorporate OpenTable reservation capabilities into their own websites, which not only introduces diners to the convenience of online reservations but also helps restaurants fill more seats by providing around-the-clock reservation capabilities.

**Customer Support**

One of the reasons we enjoy high retention rates among our restaurant customers is the quality of the support we provide. This support includes the following:

*Implementation Services for Restaurants.* Once the customer agreement is signed, we contact the restaurant to begin the implementation process, including system installation and training. First, we conduct a site survey to gather restaurant-specific information such as table layouts, restaurant capacity, hours of operation, network and Internet connectivity requirements, and other information necessary to properly set up the OpenTable system. During a typical ERB installation, we load the software onto OpenTable hardware, establish proper network connectivity, configure the system to a restaurant's specific needs, and train restaurant staff on the new process. For Connect implementations, a personal visit to the restaurant is not needed because the product and network configuration is simpler. A customer uses his or her own computer and Internet connection. The site survey, training and other implementation activities are conducted over the telephone.

*Ongoing Restaurant Relationship Management.* We work with our restaurant customers to ensure that the restaurant realizes the full value of the system. For example, we assist restaurants in adjusting their reservation books to maximize capacity utilization, enabling a restaurant's own website to take online reservations, tracking guest preferences and marketing to their diners.

*Restaurant Telephone Support.* After the initial installation and training, restaurants may contact OpenTable via a toll-free number to receive technical support and follow-up training as part of our monthly service fee. Live telephone support is available 14 hours per day, seven days a week, with emergency support available around-the-clock. Most routine support cases are handled by a U.S.-based third-party customer support partner. When necessary, the support partner escalates calls to our in-house support team located at our headquarters in San Francisco. Our support partner receives equivalent training and access to the same tools as the San Francisco support team.

*Consumer Support for Website Users.* Diners with questions about OpenTable have access to an online list of frequently asked questions, or FAQs, and can also email our support team via a web-based form. We use a commercially available email management system to queue, assign, track, escalate, categorize and report on these email inquiries.

*Reservation Fulfillment for toptable Venues.* Diners making reservations through our toptable website occasionally require assistance completing their reservations because certain restaurants listed on the toptable website are not supported by ERB or Connect.

**Technology**

Our technology infrastructure supports the network of restaurants and diners critical to our business.

**Data Centers and Network Access**

Our primary data center is hosted by a leading provider of hosting services in Santa Clara, California. We maintain a second data center in Georgia for disaster recovery. Backup systems in the

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second data center can be brought online in the event of a failure in the primary data center. We also operate a data center in London that supports toptable.

The data center in Santa Clara hosts the OpenTable websites, other than www.toptable.com and related websites, the OTRestaurant website and intranet applications that are used to manage the website content. The websites are designed to be fault-tolerant, with a collection of identical web servers connecting to an enterprise database. The design also includes load balancers, firewalls and routers that connect the components and provide connections to the Internet. The failure of any individual component is not expected to affect the overall availability of our websites.

Our system also includes a proprietary method of accessing website-relevant, real-time restaurant inventory from the data center, providing very fast response times. The system is designed to scale to accommodate the foreseeable growth in the number of restaurants and diners on our network.

***Network Security***

The data center and restaurant systems maintain real-time communication with proprietary, encrypted message protocols. We also use leading commercial antivirus, firewall and patch management technology to protect and maintain the systems located at the data center and at each restaurant.

***Internal Management Systems***

We have developed proprietary systems to ensure rapid, high-quality customer service, software development and website updates. The Restaurant Operations Management System, or ROMS, is a system-integrated customer support application that gives us unique customer resource management tools designed specifically for the restaurant industry. It houses detailed restaurant customer information encompassing the entire customer lifecycle, including initiating a contract, installing the OpenTable system, issuing monthly bills, tracking restaurant inventory and providing ongoing support. In addition, ROMS leverages system-integrated tools allowing for remote technical diagnosis and repair, while operating under multi-tiered security protocols to ensure restaurant customer information is protected. The Customer Help and Restaurant Management system, or CHARM, is a proprietary web content management and consumer support tool that enables rapid website customization. Restaurant profiles, descriptions, maps, partner reviews, restaurant messaging and reservation parameter configurations are all driven out of CHARM.

***Development***

We devote a substantial portion of our resources to developing new solutions and enhancing existing solutions, conducting product testing and quality assurance testing, improving core technology and strengthening our technological expertise in the restaurant table management and reservation market. As of December 31, 2011, our technical group consisted of 103 employees, who are focused on new feature development for existing solutions and the design of new solutions. We also outsource a portion of our software development to a third-party service provider located in India. Additionally, our mobile website and application development efforts are partially outsourced to third-party mobile development firms. For the twelve month periods ended December 31, 2011, 2010, and 2009, technology expenses totaled \$14.7 million, \$12.3 million and \$10.0 million, respectively.

***Seasonality***

The restaurant industry business is somewhat seasonal, with increases in dining at reservation-taking restaurants tied to certain holidays and restaurant-industry promotions. As a result, we typically experience higher sequential growth in diners seated during the first and fourth quarters, as compared with the second and third quarters.

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**Intellectual Property**

Our success depends upon our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual restrictions. We enter into confidentiality and proprietary rights agreements with our employees, consultants and business partners, and we control access to and distribution of our proprietary information.

We have one issued patent which expires in 2020 and eight patent applications pending in the United States. We have one patent application pending in India. We intend to pursue corresponding patent coverage in additional countries to the extent we believe such coverage is appropriate and cost effective.

Our registered trademarks in the United States, Japan, Switzerland and the European Union include "OpenTable" and the OpenTable logo. "OpenTable" is also registered in Canada, China, Mexico and Australia. "OpenTable.com" is also registered in the European Union. "toptable" is registered in the United Kingdom. We have filed other trademark applications in the United States and certain other countries.

We are the registrant of the Internet domain name for our websites, www.opentable.com, www.otrestaurant.com, www.toptable.com and our other international websites.

In addition to the foregoing protections, we generally control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners. Our software is protected by United States and international copyright laws.

**Competition**

***Competition for Reservation-Taking Restaurants***

The primary competitor for the ERB is the traditional pen-and-paper reservation book. Paper-based reservation books enjoy the advantage of being extremely familiar and simple; however, they are also time-consuming, error-prone, manual and not easily reproduced in case of loss or damage. Through our sales efforts, we explain the benefits of automation to restaurants including greater operational efficiency, superior guest recognition and service and the ability to fill additional seats by offering reservations over the Internet. Other companies attempt to address restaurant needs for computerized reservation management with a variety of technologies.

We believe the principal competitive factors in the market for computerized restaurant reservation management solutions include:

comprehensive reservation, table and guest management functionality;

ability to fill incremental seats for the restaurant;

ability to deliver strong return on investment for restaurant customers;

pricing;

system responsiveness and ease-of-use;

on-site, custom system installation and training;

robust support; and



security, reliability and data protection.

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The primary competitors for Connect are other products and services that enable restaurants to allocate tables for online booking.

In international markets that we entered more recently and where we have not yet achieved a high degree of penetration, we face more intense competition from local software-development and application service provider, or ASP, vendors. We believe that, over time, the advantages that have established us as a leading provider in North America will help us as we compete in international markets.

Our restaurant marketing products compete with other online discounting and group buying services as well as traditional restaurant marketing opportunities.

***Competition for Diners***

Our primary competitor for diners making reservations is the phone. The phone enjoys two inherent advantages over online reservations. First, every restaurant and diner has a phone. Second, making reservations by phone is a familiar, ingrained experience for diners.

In order to compete effectively with the phone, the OpenTable websites must offer diners a critical mass of restaurants from which to choose and access to reservation inventory comparable to that available by phone. When combined with the growing number of restaurant customers, the OpenTable online reservation network achieves these requirements by communicating directly and in real time with the OpenTable solution at each restaurant. Additionally, we offer diners all the conveniences and time savings associated with booking reservations online, including the ability to: book reservations around-the-clock, even when restaurants are closed; find available tables in real time across a selection of local restaurants; receive immediate confirmation of the reservation via email; change or cancel reservations online; and earn Dining Reward Points, redeemable for Dining Checks accepted by our restaurant customers.

Secondary competition comes from allocation-based reservation-taking websites that offer diners the ability to book reservations for a limited selection of restaurant table inventory. Participating restaurants identify specific reservations, generally at non-peak and unpopular times, which can be offered for booking via these allocation sites. Unlike OpenTable reservations which are immediately recorded in the ERB residing at the restaurant host stand, these allocation reservations are communicated to the restaurant by traditional phone and fax systems, email or web-based accounts that restaurants can check to access reservation requests. These methods are cumbersome for restaurants that process a large number of reservations because of the operational challenges associated with managing separate systems for online and phone-based bookings. We believe the limitations associated with allocation-based websites make them best suited for restaurants with lower reservation volumes or for use as supplemental services to fill tables at off-peak times. As a result, services that are entirely allocation-based are unlikely to provide diners with the breadth of restaurant selection and prime-time table inventory necessary to attract a large base of users.

**Employees**

As of December 31, 2011, we had 558 full-time equivalent employees including 192 in operations and support, 180 in sales and marketing, 103 in technology and 83 in general and administrative functions. None of our employees are covered by collective bargaining agreements.

**Available Information**

We file reports with the Securities and Exchange Commission, or SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any other filings required by the SEC. We make available on our website ([www.opentable.com](http://www.opentable.com)) our annual report on

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Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. These materials are available free of charge on or through our website via the Investor Relations page at <http://investors.opentable.com>. References to our website addresses in this report are intended to be inactive textual references only, and none of the information contained on our website is part of this report or incorporated in this report by reference.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

**ITEM 1A. 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 Annual Report on Form 10-K. 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. Restaurants that use our Electronic Reservation Book, or ERB, pay us an installation fee, a monthly subscription fee and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. 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. 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.

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Unfavorable changes in the above factors or in other business and economic conditions affecting our restaurant customers and diners could result in reduced traffic in some or all of the restaurants that use our solutions, result in fewer reservations made through our websites 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, request lower pricing for 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.

*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 acquire new users for our websites and mobile applications;

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

the effects of increased competition in our business;

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

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

our ability to provide a high-quality customer experience through our products and services;

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

the impact of fluctuations in currency exchange rates;

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;

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our ability to protect our intellectual property, including our proprietary ERB and Connect products;

costs associated with defending intellectual property infringement and other claims;

our ability to choose and effectively manage third-party service providers;

the effects of natural or man-made catastrophic events;

the effectiveness of our internal controls;

changes in our tax rates or exposure to additional tax liabilities; 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 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 financial performance and may materially and negatively affect our stock price.***

Our revenues have grown rapidly, increasing from \$68.6 million in 2009, to \$99.0 million in 2010, to \$139.5 million in 2011 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 our revenue growth rate declines or our operating expenses exceed our expectations, our financial performance will be adversely affected. Further, if our future growth and operating performance fail to meet investor or analyst expectations, our stock price may be materially and negatively affected.

***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 and diners or retain existing customers and diners, our revenues and our business will be harmed.***

In the twelve months ended December 31, 2011, almost all of our revenues were generated by our restaurant customers. Restaurants that use our ERB pay us a one-time installation fee, a monthly subscription fee for the use of our hardware and software, and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. Our growth depends in large part on increasing the number of our restaurant customers, increasing the number of users of our websites and mobile applications and then



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converting those persons into diners who use our websites and mobile applications 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, pricing or other reasons.

To grow our base of restaurant customers, we must convince prospective restaurant customers of the benefits of our ERB, Connect 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 websites and mobile applications, 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 websites and mobile applications and also by making our websites and mobile applications convenient and user-friendly.

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 websites and mobile applications. Our future sales 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 websites and mobile applications could be reduced, search activity on our websites and mobile applications could decline, the usefulness of our solutions could be diminished and we could experience declining revenues.

***The markets for our solutions 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 markets. Currently, our primary competitors are the pen-and-paper reservation book used by most restaurants and the phone used by diners. Secondary competitors include companies which 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 North America and international markets. Any new competitors could have greater name recognition among restaurants and diners and greater financial, technical and marketing resources. In both North America and international markets, greater financial resources and product development capabilities may allow 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, face downward pricing pressures 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.

***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 websites, mobile applications, ERB and Connect. 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 websites, mobile applications, technology, ERB and Connect may become obsolete. Our future success will depend on our ability to:

enhance our existing solutions;



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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, Connect, websites, mobile applications and other technology entails significant technical and business risks. We may use new technologies ineffectively, or we may fail to adapt our websites, mobile applications, transaction processing systems and network infrastructure to consumer requirements or emerging industry standards. For example, our website and mobile application 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 and mobile applications. 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.

***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. In 2010, we acquired toptable, a leading restaurant reservation site in the United Kingdom. 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;

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

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

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 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, Connect, websites, mobile applications 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 currently intend to continue to invest substantial resources in our ERB, Connect, website and mobile application 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 and mobile application.

***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 acquisition in October 2010 of toptable, a leading restaurant reservation site in the United Kingdom. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. 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 face risks associated with currency exchange rate fluctuations.***

For the twelve months ended December 31, 2011, we incurred approximately 30% 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



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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.

***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 our websites, mobile applications, ERB and Connect. 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 websites and mobile applications 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 websites and mobile applications and their associated search, listing and reservation services. If we do not continue to grow the use of our websites, mobile applications, ERB and Connect, we may fail to build the critical mass of both restaurant customers and diners required to substantially increase our revenues.

While our marketing efforts have not historically involved 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 websites or mobile applications would damage our reputation and brand and substantially harm our business and operating results.***

The satisfactory performance, reliability and availability of our ERB, Connect, websites, mobile applications 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 websites, mobile applications or any restaurant connected to our websites or mobile applications 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 websites or mobile applications 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 websites and mobile applications 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. 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

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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.

***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 or mobile application features, software and functionality or obtain and use information that we consider proprietary, such as the technology used to operate our websites and mobile applications, 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. We have also registered "toptable" in the United Kingdom. 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" and "toptable.com" Internet domain names 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 or toptable in all of the countries in which we currently conduct or intend to conduct business.

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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. We subsequently entered into a settlement agreement with Mount Hamilton, effective as of June 30, 2011, and the claims between the parties were dismissed with prejudice on July 7, 2011.

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. The defense of any infringement claims of a third 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.

***We rely on third parties for many systems and services.***

We rely on third-party service providers for certain customer care, fulfillment, processing, systems development, technology and other services. If these third parties experience difficulty meeting our requirements or standards, it could damage our reputation or make it difficult for us to operate some aspects of our business. In addition, if such third-party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruption, we could suffer

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increased costs and delays in our ability to provide similar services until an equivalent service provider could be found or we could develop replacement technology or operations. In addition, if we are unsuccessful in choosing high quality partners or we ineffectively manage these partners, it could have an adverse impact on our business and financial performance.

***Our business could be negatively affected by changes in search engine algorithms and dynamics, or search engine disintermediation.***

A portion of traffic to our websites and mobile applications comes from non-paid search results that appear on search engines such as Google and Bing. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the algorithmic placement of links to our websites or mobile applications can be negatively affected. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking of our websites or mobile applications, our business and financial performance would be adversely affected. In addition, to the extent Google, Bing or other leading search or meta-search engines disintermediate restaurant reservation or restaurant content providers by offering comprehensive restaurant reservation capabilities, or refer those leads to other favored partners, there could be a material adverse impact on our business and financial performance.

***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, Connect, 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 or the failure of third-party service providers to protect our confidential information, the 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.***

Our security measures or those of our third-party service providers may not detect or prevent security breaches that could harm our business. Our business requires us to use and store customer, employee and business partner personally identifiable information. This may include names, addresses, phone numbers, email addresses, contact preferences, tax identification numbers and payment account information. We require user names and passwords in order to access our information technology network. We also use encryption and authentication technologies to secure the transmission and storage of data. These security measures may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management or other irregularity, and result in persons obtaining unauthorized access to our data or accounts. Third parties may attempt to fraudulently induce employees into disclosing user names, passwords or other sensitive information, which may in turn be used to access our information technology network.

In addition, some of our restaurant customers currently 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. While we devote significant resources to network security, data encryption and other security measures

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to protect our systems and data, these security measures cannot provide absolute security. 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. The costs to us to eliminate or alleviate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in unexpected interruptions, delays, cessation of service and may harm our business operations. In addition, a party that is able to circumvent our security measures or those of our third-party service providers could misappropriate our proprietary information or personally identifiable information of our employees, restaurant customers or diners.

Any such compromise of our security could damage our reputation and brand, result in a violation of applicable privacy and other laws, and expose us to a risk of loss or litigation and possible liability which would substantially harm our business and operating results.

***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.

***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 our company. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

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

Worldwide economic conditions threaten 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.***

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,



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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. 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. 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. See " Our failure or the failure of third-party service providers to protect our confidential information, the 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."

***Any condition that causes people to refrain, or prevents people, from dining at restaurants, such as severe weather, outbreaks of pandemic or contagious diseases, or threats of terrorist attacks may adversely affect our business, operating results and financial condition.***

Our business and operations could be materially and adversely affected by severe weather or outbreaks of pandemic or contagious diseases or other conditions that cause people to refrain, or prevent people, from dining at restaurants. For example, many of our restaurant customers are located in major metropolitan areas such as New York City and San Francisco. Severe weather conditions or natural disasters in those areas, such as blizzards, earthquakes or hurricanes, may prevent people from dining at restaurants and adversely affect our business.

In addition, outbreaks of pandemic or contagious diseases may cause people to refrain from dining at restaurants. For example, from April 2009, there have been outbreaks of swine flu, caused by the H1N1 virus, in many regions of the world, including the United States and other countries in which we operate, which have affected the businesses of certain of our restaurant customers. While it did not have a material effect on our business, in April 2009, all of the restaurants in Mexico City, including our restaurant customers there, were closed for a period of approximately two weeks due to the H1N1 (swine) flu.

Furthermore, we cannot predict the effects that actual or threatened armed conflicts, terrorist attacks, efforts to combat terrorism or heightened security requirements could have on our operations, the economy or consumer confidence generally. Any of these events could affect consumer spending patterns in general or dining patterns in particular, or affect our restaurant customers due to security measures.

A prolonged recurrence of the above factors or in other business and economic conditions affecting our restaurant customers could result in a significant decline in demand for restaurant dining and materially and adversely affect our financial condition and results of operations by reducing traffic in some or all of the restaurants that use our solutions, reducing the number of reservations made through our websites and mobile applications or the websites and mobile applications of our partners or restaurant customers, causing our restaurant customers to go out of business, or causing our restaurant customers to request lower pricing for our solutions, terminate their subscriptions to our solutions or default on their payment obligations to us.

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***Changes in our tax rates or exposure to additional tax liabilities could adversely affect our earnings and financial condition.***

As a multinational corporation, we are subject to income taxes in the United States and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are intercompany transactions and calculations where the ultimate tax determination is uncertain. Our income tax returns are routinely subject to audits by tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine our tax estimates, a final determination of tax audits or tax disputes could have an adverse effect on our results of operations and financial condition.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the United States and various foreign jurisdictions. We are routinely under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities which could have an adverse effect on our results of operations and financial condition.

In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, changes in our legal structure or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

***As a public company, we incur significant increased 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 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, 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 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, the Dodd-Frank Wall Street Reform and Consumer Protection Act 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. As a result, we typically experience higher sequential growth in diners seated during the first and fourth quarters, as compared with 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

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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 websites and mobile applications 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 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.***

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 price of our common stock has been, and is likely to continue to be, volatile, which means that it could decline substantially within a short period of time. For example, since shares of our common stock were sold in our initial public offering in May 2009 at a price of \$20.00 per share, our closing stock price has ranged from \$24.66 to \$115.62. 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;



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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; 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. 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 have substantial control over us and could delay or prevent a change in corporate control.***

As of December 31, 2011, our directors and executive officers, together with their affiliates, beneficially owned approximately 5.5% of our outstanding common stock. In addition, as of December 31, 2011, approximately 69.0% of our outstanding common stock was held by other holders of more than 5% of our common stock and their affiliates.

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

delaying, deferring or preventing a change in corporate control;

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

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

***If securities or industry analysts 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.

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#### ***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 acquirer;

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 acquirer from conducting a solicitation of proxies to elect the acquirer'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.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

Our principal executive offices are located in San Francisco, California, in a 34,236 square-foot facility, under a lease expiring on April 30, 2013. We also have regional offices in Boulder, Colorado; Chicago, Illinois; New York, New York; Frankfurt, Germany; London, England; Mexico City, Mexico; and Tokyo, Japan.

#### **ITEM 3. LEGAL PROCEEDINGS**

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

financial position, results of operations or cash flows.

Table of Contents**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock has been quoted on the Nasdaq Global Market under the symbol "OPEN" since our initial public offering on May 21, 2009. Prior to this time, there was no public market for our common stock. The following table shows the high and low sale prices per share of our common stock as reported on the Nasdaq Global Market for the periods indicated:

	2011		2010	
	High	Low	High	Low
First Quarter	\$ 107.47	\$ 68.42	\$ 38.29	\$ 24.70
Second Quarter	\$ 118.66	\$ 72.57	\$ 45.51	\$ 36.23
Third Quarter	\$ 90.89	\$ 43.25	\$ 68.85	\$ 40.84
Fourth Quarter	\$ 52.95	\$ 31.54	\$ 73.72	\$ 56.91

On February 23, 2012, the closing price as reported on The NASDAQ Global Market of our common stock was \$47.85 per share. As of February 21, 2012, we had approximately 103 holders of record of our common stock.

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

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this Form 10-K.

**Performance Graph**

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of OpenTable, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph shows a comparison from May 21, 2009 (the date our common stock commenced trading on The Nasdaq Global Market) through December 31, 2011 of cumulative total return for our common stock, the Nasdaq Composite Index and the Nasdaq-100 Technology Sector Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the Nasdaq Composite Index and the Nasdaq-100 Technology Sector Index assume reinvestment of dividends.



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COMPARISON OF THIRTY-TWO MONTH CUMULATIVE TOTAL RETURN\*  
 Among OpenTable, Inc., the NASDAQ Composite Index  
 And the NASDAQ-100 Technology Sector Index

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\*  
 \$100 invested in stock on 5/21/09 in index-including reinvestment of dividends

**Purchases of Equity Securities**

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2011 - October 31, 2011		\$ 0.00		\$ 50,000,000.00
November 1, 2011 - November 30, 2011		\$ 0.00		\$ 50,000,000.00
December 1, 2011 - December 31, 2011	1,089,300	\$ 37.9089	1,089,300	\$ 8,705,881.27
<b>Total</b>	<b>1,089,300</b>	<b>\$ 37.9089</b>	<b>1,089,300</b>	

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On November 30, 2011, we announced that our board of directors had approved a \$50.0 million share repurchase program, or Share Repurchase Program. We completed the Share Repurchase Program on January 6, 2012. As of such date, we had purchased an aggregate of 1,310,973 shares of our Common Stock for an aggregate consideration of \$50.0 million.

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**Recent Sales of Unregistered Securities**

There were no unregistered sales of our equity securities during the twelve months ended December 31, 2011.

**Use of Proceeds**

On May 21, 2009, our registration statement on Form S-1 (File No. 333-157034) was declared effective for our initial public offering, pursuant to which we registered the offering and sale of 1,572,684 shares of common stock by us and the associated sale of 1,427,316 shares of common stock by selling stockholders and the additional sale pursuant to the underwriters' over-allotment option for an additional 450,000 shares of common stock by us, at a public offering price of \$20.00 per share. On May 27, 2009, we sold 2,022,684 shares of common stock, including 450,000 shares pursuant to the underwriters' over-allotment option, for an aggregate offering price of \$40,453,680, and the selling stockholders sold 1,427,316 shares of common stock for an aggregate offering price of \$28,546,320 and the offering terminated. The managing underwriter was Merrill Lynch & Co.

As a result of the offering, we received net proceeds of approximately \$34.6 million, after deducting underwriting discounts and commissions reasonably estimated at \$2.8 million and additional offering-related expenses reasonably estimated at \$3.0 million, for total expenses reasonably estimated at \$5.8 million. None of such payments were direct or indirect payments to any of our directors or officers or their associates or to persons owning 10 percent or more of our common stock or direct or indirect payments to others.

We used all of our net offering proceeds to repurchase shares of our Common Stock pursuant to the Share Repurchase Program.

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The following selected consolidated financial data should be read 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 elsewhere in this document. The consolidated income statements data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheets data as of December 31, 2011 and 2010 are derived from our audited consolidated financial statements included elsewhere in this report. The consolidated income statements data for the years ended December 31, 2008 and 2007 and the consolidated balance sheets data as of December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements not included in this report. Historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,				
	2011	2010(2)	2009	2008	2007
	(In thousands, except per share amounts)				
REVENUES	\$ 139,518	\$ 98,991	\$ 68,596	\$ 55,844	\$ 41,148
COSTS AND EXPENSES:					
Operations and support(1)	39,350	27,803	20,736	17,760	12,603
Sales and marketing(1)	28,697	21,673	15,525	14,830	11,326
Technology(1)	14,691	12,345	10,043	9,511	5,863
General and administrative(1)	24,157	19,252	13,608	13,117	12,212
Total costs and expenses	106,895	81,073	59,912	55,218	42,004
Income (loss) from operations	32,623	17,918	8,684	626	(856)
Other income, net	98	241	346	468	951
Income before taxes	32,721	18,159	9,030	1,094	95
Income tax expense (benefit)	11,167	4,080	3,963	2,118	(9,121)
NET INCOME (LOSS)	\$ 21,554	\$ 14,079	\$ 5,067	\$ (1,024)	\$ 9,216
Net income (loss) per share:					
Basic	\$ 0.92	\$ 0.62	\$ 0.28	\$ (0.10)	\$ 0.36
Diluted	\$ 0.88	\$ 0.58	\$ 0.22	\$ (0.10)	\$ 0.31
Weighted average shares outstanding:					
Basic	23,525	22,602	17,352	10,016	9,522
Diluted	24,436	23,979	22,467	10,016	10,943

(1)

Stock-based compensation included in above line items:

Operations and support	\$ 1,665	\$ 943	\$ 320	\$ 339	\$ 290
Sales and marketing	2,054	1,872	764	878	709
Technology	1,703	1,547	516	694	288
General and administrative	5,307	3,689	1,218	2,059	1,816
	\$ 10,729	\$ 8,051	\$ 2,818	\$ 3,970	\$ 3,103

(2)

Includes the results of operations of toptable.com from October 1, 2010. See Note 3 of our Consolidated Financial Statements.

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	Years Ended December 31,				
	2011	2010(2)	2009	2008	2007
	(In thousands, except per share amounts)				
<b>Other Operational Data:</b>					
Installed restaurants (at period end):					
North America	17,150	13,795	10,850	9,295	7,391
International	7,969	6,254	1,501	1,040	470
<b>Total</b>	<b>25,119</b>	<b>20,049</b>	<b>12,351</b>	<b>10,335</b>	<b>7,861</b>
Seated diners (in thousands):					
North America	89,533	62,430	41,909	33,636	24,614
International	7,141	2,925	957	542	244
<b>Total</b>	<b>96,674</b>	<b>65,355</b>	<b>42,866</b>	<b>34,178</b>	<b>24,858</b>
Headcount (at period end):					
North America	398	344	256	238	192
International	160	149	63	59	34
<b>Total</b>	<b>558</b>	<b>493</b>	<b>319</b>	<b>297</b>	<b>226</b>
<b>Additional Financial Data:</b>					
Revenues:					
North America	\$ 118,654	\$ 90,108	\$ 64,751	\$ 53,065	\$ 39,601
International	20,864	8,883	3,845	2,779	1,547
<b>Total</b>	<b>\$ 139,518</b>	<b>\$ 98,991</b>	<b>\$ 68,596</b>	<b>\$ 55,844</b>	<b>\$ 41,148</b>
Income (loss) from operations:					
North America	\$ 44,007	\$ 26,039	\$ 14,591	\$ 9,088	\$ 4,974
International	(11,384)	(8,121)	(5,907)	(8,462)	(5,830)
<b>Total</b>	<b>\$ 32,623</b>	<b>\$ 17,918</b>	<b>\$ 8,684</b>	<b>\$ 626</b>	<b>\$ (856)</b>
Depreciation and amortization:					
North America	\$ 6,852	\$ 6,036	\$ 4,752	\$ 4,026	\$ 2,817
International	5,153	1,532	476	350	184
<b>Total</b>	<b>\$ 12,005</b>	<b>\$ 7,568</b>	<b>\$ 5,228</b>	<b>\$ 4,376</b>	<b>\$ 3,001</b>
Stock-based compensation:					
North America	\$ 7,713	\$ 7,117	\$ 2,610	\$ 3,563	\$ 2,762
International	3,016	934	208	407	341
<b>Total</b>	<b>\$ 10,729</b>	<b>\$ 8,051</b>	<b>\$ 2,818</b>	<b>\$ 3,970</b>	<b>\$ 3,103</b>

	December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
<b>Consolidated Balance Sheets Data:</b>					
Cash and cash equivalents	\$ 36,519	\$ 33,444	\$ 19,807	\$ 5,528	\$ 21,661
Short-term investments	13,411	9,080	50,221	17,259	
Property, equipment and software, net	16,150	14,612	11,516	11,125	8,378
Working capital	48,570	37,679	61,788	14,745	9,759
Total assets	163,815	149,896	100,331	50,883	45,814
Dining rewards payable	20,827	15,398	11,611	8,462	5,836
Preferred stock				21,909	21,909
Total stockholders' equity	110,227	102,145	73,405	26,684	22,485

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**ITEM 7. 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 report. 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 report, 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 for restaurants include our proprietary Electronic Reservation Book, or ERB, and Connect. Our solutions for diners include [www.opentable.com](http://www.opentable.com) and [www.toptable.com](http://www.toptable.com), our popular restaurant reservation websites, as well as a variety of mobile applications. The OpenTable network includes approximately 25,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated over 280 million diners through OpenTable reservations, and during the three months ended December 31, 2011, we seated an average of approximately 9.0 million diners per month. Restaurants that use our ERB pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Restaurants that use Connect pay us a fee for each restaurant guest seated through online reservations. Diners can use our online restaurant reservation service for free. For the twelve months ended December 31, 2011 and 2010, our net revenues were \$139.5 million and \$99.0 million, respectively. For the twelve months ended December 31, 2011 and 2010, our reservation revenues accounted for 53% and 48% of our total revenues, respectively, our subscription revenues accounted for 36% and 44% of our total revenues, respectively, and our other revenues accounted for 11% and 8% 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, 2011 and 2010 were \$20.9 million and \$8.9 million, respectively, or 15% and 9% 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.

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**Revenues**

We generate substantially all of our revenues from our restaurant customers. Our revenues include monthly subscription fees, a fee for each restaurant guest seated through online reservations and other revenue, including installation fees for our ERB (including training). Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered to our restaurant customers. Revenues from online reservations are recognized on a transaction basis as the diners are seated by the restaurant. Installation fees are recognized on a straight-line basis over an estimated customer life of approximately three to six years. Revenues are shown net of redeemable Dining Points issued to diners 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 of 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 websites, infrastructure and software, as well as allocated facilities costs.

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

Headcount consists of full-time equivalent employees, including full-time equivalent temporary employees, in all of the sections noted below.

**Other Income, Net**

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

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***Income Taxes***

We are subject to 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.

**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 monthly subscription fees, a fee for each restaurant guest seated through online reservations and other revenue, including installation fees for our ERB (including training). We provide our application as a service, and follow the provisions of Accounting Standards Codification ("ASC") Topic 605 Revenue Recognition. 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.

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).

During the third quarter of 2010, we began selling third-party restaurant coupons through our websites, which we include in other revenue. We earn a commission for acting as an agent in these transactions which is recorded on a net basis and is included in revenue upon completion of the third-party coupon sale. The liability for redemption and potential income for breakage remain with the third-party restaurants; therefore, we do not record redemption or breakage of the coupons. We apply a sales allowance for potential coupon refunds. We began to phase-out this third-party coupon program in the fourth quarter of 2011.

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 three to six years, based on historical restaurant customer termination activity. Estimates made by us may differ from actual customer lives. These differences may materially affect other revenue by increasing or decreasing revenue, depending on whether the estimated customer life



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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%. To date, the impact of changes in the estimated customer life has not been material to the our results of operations or financial position.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

***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 websites and mobile applications. OpenTable Dining Rewards involves the issuance of "Dining Points," which can be accumulated and redeemed for "Dining Checks." 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 Check. Every 100 Dining Points is equal to one dollar. Diners may present Dining Checks at any OpenTable restaurant and their bill is reduced by the check amount. The restaurant then deposits the Dining Check 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 Checks are never used. The recorded contra-revenue 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 liability for the issued Dining Points by analyzing historical patterns of redemption and check-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 affect reservation revenues. For example, an increase of 10% in the redemption rate as of December 31, 2011 would result in a reduction in revenues of \$4.0 million and an increase in the dining rewards payable liability of 19%.

We recognize the corresponding liability associated with Dining Points as contra-revenue in accordance with ASC Topic 605-50 Revenue Recognition-Customer Payments and Incentives.

***Website and Software Development Costs***

Costs related to website and internal-use software are accounted for in accordance with ASC Topic 350-50 Intangibles-Goodwill and Other ("Topic 350-50"). Such software is primarily related to our websites and mobile applications, including support systems. 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. Costs incurred prior to meeting these criteria are expensed as incurred. Capitalized costs are amortized when the project is completed and placed in service on a straight-line basis over the estimated useful life of the related asset, generally estimated between two to three years. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and amortized over the estimated useful life of the enhancements.

We follow the guidance in ASC Topic 985 Software 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

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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 generally short, 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 of accounting for income taxes in accordance with ASC Topic 740 Income Taxes ("Topic 740"). Under this method, income tax expense or benefit is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. We account for any income tax contingencies in accordance with Topic 740. The measurement of current and deferred tax assets and liabilities is based on provisions of currently enacted tax laws. The effects of any future changes in tax laws or rates have not been considered.

For the preparation of our consolidated financial statements included herein, we estimate our income taxes and tax contingencies in each of the tax jurisdictions in which we operate prior to the completion and filing of our tax returns. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in net deferred tax assets and liabilities. We must then assess the likelihood that the deferred tax assets will be realizable, and to the extent we believe that realizability is not likely, we must establish a valuation allowance. In assessing the need for any additional valuation allowance, we consider all the evidence available to us, both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

As a result of this analysis, for the year ended December 31, 2011 and consistent with prior years, it was determined that certain foreign tax credit carryforwards and foreign branch net operating losses did not meet the "more likely than not" realizability threshold which increased our valuation allowance by \$0.4 million.

***Stock-based Compensation***

We measure stock-based awards at fair value and recognize compensation expense for all share-based payment awards made to our employees and directors, including employee stock options and restricted stock units in accordance with ASC Topic 718 Stock Compensation.

We estimate the fair value of stock options granted using the Black-Scholes valuation model. This model requires us to make estimates and assumptions including, among other things, estimates regarding the length of time an employee will retain vested stock options before exercising them, the estimated volatility of our common stock price and the number of options that will be forfeited prior to vesting. The fair value is then amortized using a graded vesting attribution method over the requisite service periods of the awards, which is generally the vesting period. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in our consolidated income statements.

The cost of restricted stock units is determined using the fair value of our common stock on the date of grant. Stock-based compensation expense is recognized using a graded vesting attribution method over the vesting period.

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**Results of Operations**

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

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except per share amounts)</b>		
<b>REVENUES</b>	\$ 139,518	\$ 98,991	\$ 68,596
<b>COSTS AND EXPENSES:</b>			
Operations and support(1)	39,350	27,803	20,736
Sales and marketing(1)	28,697	21,673	15,525
Technology(1)	14,691	12,345	10,043
General and administrative(1)	24,157	19,252	13,608
<b>Total costs and expenses</b>	<b>106,895</b>	<b>81,073</b>	<b>59,912</b>
Income from operations	32,623	17,918	8,684
Other income, net	98	241	346
Income before taxes	32,721	18,159	9,030
Income tax expense	11,167	4,080	3,963
<b>NET INCOME (LOSS)</b>	<b>\$ 21,554</b>	<b>\$ 14,079</b>	<b>\$ 5,067</b>
<b>Net income (loss) per share:</b>			
Basic	\$ 0.92	\$ 0.62	\$ 0.28
Diluted	\$ 0.88	\$ 0.58	\$ 0.22
<b>Weighted average shares outstanding:</b>			
Basic	23,525	22,602	17,352
Diluted	24,436	23,979	22,467

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

Operations and support	\$ 1,665	\$ 943	\$ 320
Sales and marketing	2,054	1,872	764
Technology	1,703	1,547	516
General and administrative	5,307	3,689	1,218
	<b>\$ 10,729</b>	<b>\$ 8,051</b>	<b>\$ 2,818</b>

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**Years Ended December 31,**  
**2011            2010            2009**  
(In thousands, except per share amounts)

**Other Operational Data:**

Installed restaurants (at period end):

North America	17,150	13,795	10,850
International	7,969	6,254	1,501

<b>Total</b>	<b>25,119</b>	<b>20,049</b>	<b>12,351</b>
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Seated diners (in thousands):

North America	89,533	62,430	41,909
International	7,141	2,925	957

<b>Total</b>	<b>96,674</b>	<b>65,355</b>	<b>42,866</b>
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Headcount (at period end):

North America	398	344	256
International	160	149	63

<b>Total</b>	<b>558</b>	<b>493</b>	<b>319</b>
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**Additional Financial Data:**

Revenues:

North America	\$ 118,654	\$ 90,108	\$ 64,751
International	20,864	8,883	3,845

<b>Total</b>	<b>\$ 139,518</b>	<b>\$ 98,991</b>	<b>\$ 68,596</b>
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Income (loss) from operations:

North America	\$ 44,007	\$ 26,039	\$ 14,591
International	(11,384)	(8,121)	(5,907)

<b>Total</b>	<b>\$ 32,623</b>	<b>\$ 17,918</b>	<b>\$ 8,684</b>
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Depreciation and amortization:

North America	\$ 6,852	\$ 6,036	\$ 4,752
International	5,153	1,532	476

<b>Total</b>	<b>\$ 12,005</b>	<b>\$ 7,568</b>	<b>\$ 5,228</b>
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Stock-based compensation:

North America	\$ 7,713	\$ 7,117	\$ 2,610
International	3,016	934	208

<b>Total</b>	<b>\$ 10,729</b>	<b>\$ 8,051</b>	<b>\$ 2,818</b>
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	Years Ended December 31,		
	2011	2010	2009
REVENUES	100%	100%	100%
COSTS AND EXPENSES:			
Operations and support	28%	28%	30%
Sales and marketing	21%	22%	23%
Technology	11%	13%	15%
General and administrative	17%	19%	20%
Total costs and expenses	77%	82%	88%
Income from operations	23%	18%	12%
Other income, net	0%	0%	1%
Income before taxes	23%	18%	13%
Income tax expense	8%	4%	6%
NET INCOME (LOSS)	15%	14%	7%

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**Years ended December 31, 2011, 2010 and 2009**

**Revenues**

	Years Ended December 31,			2010 to 2011 % Change	2009 to 2010 % Change
	2011	2010	2009		
(Dollars in thousands)					
Installed restaurants (at period end):					
North America	17,150	13,795	10,850	24%	27%
International	7,969	6,254	1,501	27%	317%
Total	25,119	20,049	12,351	25%	62%
Seated diners (in thousands):					
North America	89,533	62,430	41,909	43%	49%
International	7,141	2,925	957	144%	206%
Total	96,674	65,355	42,866	48%	52%
Revenues by type:					
Reservation	\$ 74,215	\$ 47,520	\$ 29,437	56%	61%
Subscription	50,767	43,125	35,854	18%	20%
Other	14,536	8,346	3,305	74%	153%
Total	\$ 139,518	\$ 98,991	\$ 68,596	41%	44%
Percentage of revenues by type:					
Reservation	53%	48%	43%		
Subscription	36%	44%	52%		
Other	11%	8%	5%		
Total	100%	100%	100%		
Revenues by location:					
North America	\$ 118,654	\$ 90,108	\$ 64,751	32%	39%
International	20,864	8,883	3,845	135%	131%
Total	\$ 139,518	\$ 98,991	\$ 68,596	41%	44%
Percentage of revenues by location:					
North America	85%	91%	94%		
International	15%	9%	6%		
Total	100%	100%	100%		

*2011 compared to 2010.* Total revenues increased \$40.5 million, or 41%, from the year ended December 31, 2010 to the year ended December 31, 2011. Reservation revenues increased to \$74.2 million in the year ended December 31, 2011 from \$47.5 million in the year ended December 31, 2010, an increase of \$26.7 million, or 56%. Reservation revenues increased as a result of an increase in seated diners. Subscription revenues increased to \$50.8 million in the year ended December 31, 2011 from \$43.1 million in the year ended December 31, 2010, an increase of \$7.7 million, or 18%. Subscription revenues increased due to the increase in installed ERB restaurants. Other revenues increased to \$14.5 million in the year ended December 31, 2011 from \$8.3 million in the year ended December 31, 2010, an increase of \$6.2 million, or 74%. Other revenues increased primarily as a result of an increase in revenue from other product offerings, including advertising sales, featured private dining listings and third-party restaurant coupon sales. International revenues increased by \$12.0 million, or 135%, from the year ended December 31, 2010 to the year ended December 31, 2011



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primarily due to the inclusion for a full year of the operations of toptable.com ("toptable") in the U.K., which was acquired on October 1, 2010.

*2010 compared to 2009.* Total revenues increased \$30.4 million, or 44%, from the year ended December 31, 2009 to the year ended December 31, 2010. Reservation revenues increased as a result of an increase in seated diners, plus the addition of \$2.3 million of reservation revenues resulting from the acquisition of toptable in the fourth quarter of 2010. Subscription revenues increased to \$43.1 million in the year ended December 31, 2010 from \$35.9 million in the year ended December 31, 2009, an increase of \$7.2 million, or 20%. Subscription revenues increased due to the increase in installed ERB restaurants. Reservation revenues increased to \$47.5 million in the year ended December 31, 2010 from \$29.4 million in the year ended December 31, 2009, an increase of \$18.1 million, or 61%. Other revenues increased to \$8.3 million in the year ended December 31, 2010 from \$3.3 million in the year ended December 31, 2009, an increase of \$5.0 million, or 153%. Other revenues increased primarily as a result of an increase in revenue from other product offerings, including advertising sales, web service licensing, featured private dining listings and third-party restaurant coupon sales, plus the addition of \$0.7 million of other revenues resulting from the acquisition of toptable in the fourth quarter of 2010.

### *Costs and Expenses*

#### *Operations and Support*

	Years Ended December 31,			2010 to 2011 % Change	2009 to 2010 % Change
	2011	2010	2009		
	(Dollars in thousands)				
Operations and support	\$ 39,350	\$ 27,803	\$ 20,736	42%	34%
Headcount (at period end):					
North America	138	112	76	23%	47%
International	54	54	25	0%	116%
<b>Total</b>	<b>192</b>	<b>166</b>	<b>101</b>	<b>16%</b>	<b>64%</b>

*2011 compared to 2010.* Operations and support expenses for the year ended December 31, 2011 were \$39.4 million compared to \$27.8 million for the year ended December 31, 2010, an increase of \$11.6 million, or 42%. The increase in operations and support expenses was primarily attributable to a \$4.8 million increase in headcount-related expenses, including stock-based compensation expense, and a \$1.0 million increase in cost at our outsourced customer support center. Also contributing to the increase was a \$2.7 million increase in amortization of intangible assets, a \$1.1 million increase in depreciation of capitalized website and software development costs, plus an increase in restaurant equipment costs, including depreciation on restaurant hardware, and equipment and shipping costs in connection with the increase in the installed base.

*2010 compared to 2009.* Operations and support expenses for the year ended December 31, 2010 were \$27.8 million compared to \$20.7 million for the year ended December 31, 2009, an increase of \$7.1 million, or 34%. The increase in operations and support expenses was primarily attributable to a \$3.4 million increase in headcount-related expenses, including stock-based compensation expense and a \$0.5 million increase in cost at our outsourced customer support center. Also contributing to the increase was a \$1.1 million increase in amortization of intangible assets, a \$0.7 million increase in depreciation of capitalized website and software development costs, plus an increase in restaurant equipment costs, including depreciation on restaurant hardware, and equipment and shipping costs in connection with the increase in the installed base.



Table of Contents*Sales and Marketing*

	Years Ended December 31,			2010 to 2011% Change	2009 to 2010% Change
	2011	2010	2009		
(Dollars in thousands)					
Sales and marketing	\$ 28,697	\$ 21,673	\$ 15,525	32%	40%
Headcount (at period end):					
North America	112	98	62	14%	58%
International	68	62	30	10%	107%
<b>Total</b>	<b>180</b>	<b>160</b>	<b>92</b>	<b>13%</b>	<b>74%</b>

*2011 compared to 2010.* Sales and marketing expenses for the year ended December 31, 2011 were \$28.7 million compared to \$21.7 million for the year ended December 31, 2010, an increase of \$7.0 million, or 32%. The increase in sales and marketing expenses was primarily attributable to a \$4.8 million increase in headcount-related costs, including stock-based compensation expense, plus an increase of \$1.2 million for pay per click marketing expenses incurred by toptable.

*2010 compared to 2009.* Sales and marketing expenses for the year ended December 31, 2010 were \$21.7 million compared to \$15.5 million for the year ended December 31, 2009, an increase of \$6.2 million, or 40%. The increase in sales and marketing expenses was primarily attributable to a \$4.6 million increase in headcount-related costs, including stock-based compensation expense, plus the addition of \$0.5 million of pay per click marketing expenses incurred by toptable during the fourth quarter of 2010.

*Technology*

	Years Ended December 31,			2010 to 2011% Change	2009 to 2010% Change
	2010	2010	2009		
(Dollars in thousands)					
Technology	\$ 14,691	\$ 12,345	\$ 10,043	19%	23%
Headcount (at period end):					
North America	87	85	73	2%	16%
International	16	11	0	45%	
<b>Total</b>	<b>103</b>	<b>96</b>	<b>73</b>	<b>7%</b>	<b>32%</b>

*2011 compared to 2010.* Technology expenses for the year ended December 31, 2011 were \$14.7 million compared to \$12.3 million for the year ended December 31, 2010, an increase of \$2.4 million, or 19%. The increase in technology expenses was primarily attributable to a \$1.9 million increase in headcount-related costs, including stock-based compensation expense.

*2010 compared to 2009.* Technology expenses for the year ended December 31, 2010 were \$12.3 million compared to \$10.0 million for the year ended December 31, 2009, an increase of \$2.3 million, or 23%. The increase in technology expenses was primarily attributable to a \$2.3 million increase in headcount-related costs, including stock-based compensation expense.

Table of Contents*General and Administrative*

	Years Ended December 31,			2010 to	2009 to
	2011	2010	2009	2011%	2010%
	(Dollars in thousands)			Change	Change
General and administrative	\$ 24,157	\$ 19,252	\$ 13,608	25%	41%
Headcount (at period end):					
North America	61	49	45	24%	9%
International	22	22	8	0%	175%
<b>Total</b>	<b>83</b>	<b>71</b>	<b>53</b>	<b>17%</b>	<b>34%</b>

*2011 compared to 2010.* General and administrative expenses for the year ended December 31, 2011 were \$24.2 million compared to \$19.3 million for the year ended December 31, 2010, an increase of \$4.9 million, or 25%. The increase in general and administrative expenses was primarily attributable to a \$2.7 million increase in headcount-related costs, including stock-based compensation expense. Also contributing to the increase was an increase of \$0.6 million in professional services, primarily related to a one-time legal settlement expense in the second quarter of 2011.

*2010 compared to 2009.* General and administrative expenses for the year ended December 31, 2010 were \$19.3 million compared to \$13.6 million for the year ended December 31, 2009, an increase of \$5.7 million, or 41%. The increase in general and administrative expenses was primarily attributable to a \$3.6 million increase in headcount-related costs, including stock-based compensation expense. Also contributing to the increase was an increase of \$1.2 million in professional services, primarily reflecting acquisition related expenses incurred during the year ended December 31, 2010.

*Other Income, Net*

	Years Ended			2010 to	2009 to
	2011	2010	2009	2011%	2010%
	(Dollars in thousands)			Change	Change
Other income, net	\$ 98	\$ 241	\$ 346	(59)%	(30)%

*2011 compared to 2010.* Other income, net for the year ended December 31, 2011 was \$0.1 million compared to \$0.2 million for the year ended December 31, 2010, a decrease of \$0.1 million, or 59%. The decrease in other income, net was primarily the result of a \$0.1 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.

*2010 compared to 2009.* Other income, net for the year ended December 31, 2010 was \$0.2 million compared to \$0.3 million for the year ended December 31, 2009, a decrease of \$0.1 million, or 30%. The decrease in other income, net was primarily the result of a \$0.1 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.

Table of Contents*Income Taxes*

	Years Ended December 31,			2010 to	2009 to
	2011	2010	2009	2011%	2010%
				Change	Change
	(Dollars in thousands)				
Income tax expense	\$ 11,167	\$ 4,080	\$ 3,963	174%	3%

*2011 compared to 2010.* Income tax expense for the year ended December 31, 2011 was \$11.2 million compared to income tax expense of \$4.1 million for the year ended December 31, 2010. Our effective income tax rate in 2011 was 34.1% up from 22.5% in 2010. Our effective tax rate increased in 2011 as compared to 2010 due to the recognition of certain prior years Federal and California research and development tax credit benefits in the year ended December 31, 2010.

*2010 compared to 2009.* Income tax expense for the year ended December 31, 2010 was \$4.1 million compared to income tax expense of \$4.0 million for the year ended December 31, 2009. Our effective income tax rate in 2010 was 22.5% down from 43.9% in 2009 due to the benefits resulting from research and development tax credits, California Enterprise Zone tax credits and the federal Domestic Manufacturing Deduction which were partially offset by the tax impact of certain stock-based compensation charges and state income tax expense.

**Liquidity and Capital Resources**

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Consolidated Statements of Cash Flows Data:			
Purchases of property and equipment	\$ 9,584	\$ 9,327	\$ 5,996
Depreciation and amortization			
North America	6,852	6,036	4,752
International	5,153	1,532	476
Total depreciation and amortization	12,005	7,568	5,228
Cash flows from operating activities	42,071	33,356	17,689
Cash flows from investing activities	(13,931)	(24,938)	(42,128)
Cash flows from financing activities	(24,781)	5,352	38,499

As of December 31, 2011, we had cash and cash equivalents of \$36.5 million and short-term investments of \$13.4 million. Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and U.S. government agency securities. Short-term investments consist of U.S. government agency securities and certificates of deposit.

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 affected if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date we have experienced no loss or lack of access to our cash, cash equivalents or short-term investments; however, we can provide no assurances that access to our invested cash, cash equivalents and short-term investments will not be impacted by adverse conditions in the financial markets.

We have a \$5.0 million line of credit to fund working capital under which we have no amounts drawn down as of December 31, 2011. This line of credit expires in July 2012.

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Prior to 2005, we financed our operations and capital expenditures through operations, private sales of preferred stock, lease financing and the use of 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 sales of our common stock, including the exercise of vested and unvested employee stock options. We had cash and cash equivalents of \$36.5 million at December 31, 2011 and we believe we will have sufficient cash to support our operating activities and capital expenditures for at least the next twelve months.

***Operating Activities***

For the twelve months ended December 31, 2011, operating activities provided \$42.1 million in cash, as a result of net income of \$21.6 million, \$10.7 million in stock-based compensation, \$12.0 million in depreciation and amortization and \$2.1 million in provision for bad debts. These amounts were partially offset by a cash usage of \$7.7 million as a result of an increased accounts receivable balance.

For the twelve months ended December 31, 2010, operating activities provided \$33.4 million in cash, as a result of net income of \$14.1 million, \$8.1 million in stock-based compensation, \$7.6 million in depreciation and amortization and \$1.5 million in provision for bad debts. These amounts were partially offset by a cash usage of \$4.9 million as a result of an increased accounts receivable balance.

For the twelve months ended December 31, 2009, operating activities provided \$17.7 million in cash, as a result of net income of \$5.1 million, \$5.2 million in depreciation and amortization, \$1.8 million in provision for bad debts and \$2.8 million in stock-based compensation. These amounts were partially offset by a cash usage of \$3.1 million as a result of an increased accounts receivable balance.

***Investing Activities***

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

During the twelve months ended December 31, 2011, we purchased \$9.6 million of property, equipment and software, net. Also in the twelve months ended December 31, 2011, we purchased \$4.5 million (net of sales) of short-term investments.

During the twelve months ended December 31, 2010, we acquired toptable for approximately \$55.3 million in cash and also paid \$1.5 million in cash to acquire substantially all of the assets and certain liabilities of Table Maestro. In addition to these business acquisitions, we purchased \$9.3 million of property, equipment and software, net. Also in the twelve months ended December 31, 2010, we sold \$40.6 million (net of purchases) of short-term investments.

During the twelve months ended December 31, 2009, in addition to purchases of property, equipment and software, we purchased \$33.1 million (net of sales) of short-term investments. Also in the twelve months ended December 31, 2009, we purchased substantially all of the assets of GuestBridge, Inc. for approximately \$3.0 million in cash.

***Financing Activities***

In addition to our initial public offering in May 2009, our financing activities have primarily consisted of proceeds from the issuance of common stock pursuant to our equity incentive plans and the excess tax benefit related to stock compensation.

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During the twelve months ended December 31, 2011, we repurchased \$41.3 million of common shares under our share repurchase program which concluded in January 2012.

**Off Balance Sheet Arrangements**

As of December 31, 2011, 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 in or prior to 2016. We have no debt obligations, other than a \$5.0 million line of credit for working capital, under which we have not borrowed to date. This credit facility expires in July 2012. Additionally, all property, equipment and software 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, or any other long-term liabilities. The following table sets forth, as of December 31, 2011, payments due under our operating lease obligations.

	<b>Payments Under Operating Leases (In thousands)</b>	
Year ending December 31:		
2012	\$	1,859
2013		726
2014		266
2015		118
2016		35
<b>Total</b>	<b>\$</b>	<b>3,004</b>

As of December 31, 2011, in addition to the obligations in the table above, we had approximately \$6.2 million of income tax liabilities, including interest and penalties, related to uncertain tax positions. Due to the high degree of uncertainty regarding the settlement of these liabilities, we are unable to estimate the years in which future cash outflows may occur.

**Recent Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board ("FASB") issued ASC Topic 820 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (Topic 820). Topic 820 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. Topic 820 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. Topic 820 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. We anticipate that the adoption of this standard will not materially expand our consolidated financial statement footnote disclosures.

In June 2011, the FASB issued ASC Topic 220 Presentation of Comprehensive Income (Topic 220). Topic 220 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Topic 220 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amended guidance, which must be applied retroactively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with earlier adoption permitted. The adoption of this standard will change the presentation of our

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consolidated financial statements but will have no effect on the reported amounts of comprehensive net income.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles—Goodwill and Other (Topic 350) Testing Goodwill for Impairment. Topic 350 is intended to simplify goodwill impairment testing by adding a qualitative review step to assess whether the required quantitative impairment analysis that exists today is necessary. Topic 350 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Topic 350 is effective for interim and annual periods beginning after December 15, 2011 and earlier adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

**ITEM 7A. 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, money market accounts, certificates of deposit and U.S. government agency securities. Short-term investments consist of U.S. government agency securities and certificates of deposit. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be materially affected to any degree by a sudden change in market interest rates.

***Foreign Currency Exchange Risk***

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. dollar, principally the British pound sterling, the euro, the Japanese yen, the Canadian dollar 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.

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**ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**OPENTABLE, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
OpenTable, Inc.  
San Francisco, California

We have audited the accompanying consolidated balance sheets of OpenTable, Inc. and subsidiaries (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated income statements, statements of stockholders' equity and comprehensive income, and of cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California  
February 24, 2012



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**OPENTABLE, INC.**

**CONSOLIDATED BALANCE SHEETS**

**December 31,  
2011**