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VALUECLICK INC/CA

FORM 10-Q
(Quarterly Report)

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Sector	Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission file number 000-30135

VALUECLICK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0495335**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

30699 RUSSELL RANCH ROAD, SUITE 250
WESTLAKE VILLAGE, CALIFORNIA 91362
(Address of principal executive offices, including zip code)

(818) 575-4500
(Registrant's telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 ☐

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

The number of shares of the registrant's common stock outstanding as of May 3, 2012 was 80,642,106 .

VALUECLICK, INC.
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QUARTERLY PERIOD ENDED MARCH 31, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VALUECLICK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 107,696	$ 116,676
Accounts receivable, net	106,466	129,076
Prepaid expenses and other current assets	10,578	8,092
Income taxes receivable	5,407	7,112
Deferred tax assets, current portion	10,053	9,977
Total current assets	240,200	270,933
Note receivable, less current portion	29,185	29,700
Property and equipment, net	21,296	19,952
Goodwill	435,206	437,033
Intangible assets acquired in business combinations, net	105,383	114,007
Deferred tax assets, less current portion	8,918	8,018
Other assets	1,022	1,068
TOTAL ASSETS	$ 841,210	$ 880,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 108,003	$ 123,863
Other current liabilities	6,040	1,753
Borrowings under credit agreement, current portion	10,000	10,000
Total current liabilities	124,043	135,616
Income taxes payable	22,344	22,755
Deferred tax liabilities	1,204	1,447
Borrowings under credit agreement, less current portion	95,000	157,500
TOTAL LIABILITIES	242,591	317,318
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding at March 31, 2012 and December 31, 2011	—	—
Common stock, $0.001 par value; 500,000,000 shares authorized; 80,602,940 and 80,139,493 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	81	80
Additional paid-in capital	562,598	552,608
Accumulated other comprehensive loss	(6,474)	(10,138)
Retained Earnings	42,414	20,843
Total stockholders' equity	598,619	563,393
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 841,210	$ 880,711

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share data)

	Three-month Period Ended March 31,	
	2012	2011
Revenue	$ 152,852	$ 116,511
Cost of revenue	58,961	51,974
Gross profit	93,891	64,537
Operating expenses:		
Sales and marketing	21,180	12,632
General and administrative	19,883	12,523
Technology	16,091	10,166
Amortization of intangible assets acquired in business combinations	6,324	2,708
Total operating expenses	63,478	38,029
Income from operations	30,413	26,508
Interest and other income, net	229	408
Income before income taxes	30,642	26,916
Income tax expense	9,071	10,054
Net income	21,571	16,862
Other comprehensive income:		
Foreign currency translation	3,664	5,328
Total comprehensive income	$ 25,235	$ 22,190
Basic net income per common share	$ 0.27	$ 0.21
Diluted net income per common share	$ 0.26	$ 0.21
Weighted-average shares used to calculate net income per common share:		
Basic	80,339	80,687
Diluted	82,106	81,644

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share data)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2011	—	—	80,139,493	80	552,608	(10,138)	20,843	563,393
Non-cash, stock-based compensation	—	—	—	—	6,086	—	—	6,086
Shares issued in connection with employee stock programs	—	—	463,447	1	3,281	—	—	3,282
Tax benefit from employee stock transactions	—	—	—	—	623	—	—	623
Net income	—	—	—	—	—	—	21,571	21,571
Foreign currency translation	—	—	—	—	—	3,664	—	3,664
Balance at March 31, 2012	—	—	80,602,940	81	562,598	(6,474)	42,414	598,619

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three-month Period Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	$ 21,571	$ 16,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,447	6,642
Non-cash, stock-based compensation	6,086	1,917
Provision for doubtful accounts and sales credits	1,236	251
Amortization of discount on note receivable	(604)	(582)
Deferred income taxes	(68)	117
Tax benefit from stock-based awards	623	168
Excess tax benefit from stock-based awards	(708)	(201)
Changes in operating assets and liabilities, excluding business acquisitions	10,659	4,799
Net cash provided by operating activities	50,242	29,973
Cash flows from investing activities:		
Proceeds from the sales of marketable securities	—	3,000
Purchases of property and equipment	(3,874)	(1,918)
Principal payments received on note receivable	1,054	907
Payments for acquisitions, net of cash acquired	(148)	—
Net cash (used in) provided by investing activities	(2,968)	1,989
Cash flows from financing activities:		
Repayments under credit agreement	(62,500)	—
Repurchases and retirement of common stock	—	(31,487)
Proceeds from shares issued under employee stock programs	3,282	2,683
Excess tax benefit from stock-based awards	708	201
Net cash used in financing activities	(58,510)	(28,603)
Effect of exchange rate changes on cash and cash equivalents	2,256	2,101
Net (decrease) increase in cash and cash equivalents	(8,980)	5,460
Cash and cash equivalents, beginning of period	116,676	194,317
Cash and cash equivalents, end of period	$ 107,696	$ 199,777

See accompanying Notes to Condensed Consolidated Financial Statements

VALUECLICK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. THE COMPANY AND BASIS OF PRESENTATION

Company Overview

ValueClick, Inc. and its subsidiaries ("ValueClick" or the "Company") offer a suite of products and services that enable marketers to advertise and sell their products and services through major digital marketing channels including online and mobile display advertising, affiliate marketing and comparison shopping. The Company also offers technology infrastructure tools and services that enable marketers to implement and manage their own online advertising across multiple channels including display, email, paid search, natural search, on-site, offline, and affiliate. The broad range of products and services that the Company provides enables its customers to address all aspects of their online marketing process, from strategic planning through execution, including results measurement and campaign refinements. The Company derives its revenue from four business segments. These business segments are presented on a worldwide basis and include: Affiliate Marketing, Media, Owned & Operated Websites, and Technology.

AFFILIATE MARKETING - ValueClick's Affiliate Marketing segment, which operates under the "Commission Junction" brand name, provides the technology, network and customer service that, in combination, enable advertisers to create their own fully-commissioned online sales force comprised of third-party website publishers, also known as affiliates. Advertisers that utilize the Commission Junction platform generally are only obligated to pay affiliates when the affiliate delivers a consumer who achieves the desired result, which is typically a closed e-commerce transaction or a new customer lead. By joining the Commission Junction network, advertisers gain access to: a) the Company's proprietary technology platform that has been developed over the past decade and is completely focused on the unique needs of the affiliate marketing channel; b) a proprietary network of tens of thousands of high-quality website publishers; and c) the Company's digital marketing expertise and campaign management teams who ensure advertisers' campaigns are optimized for maximum performance. Commission Junction's revenues are driven primarily by variable compensation that is generally based on either a percentage of commissions paid by the Company's customers to affiliates or on a percentage of transaction revenue generated by the Company's customers from the programs managed with the Company's affiliate marketing platforms.

MEDIA - ValueClick's Media segment, which has historically operated under the "ValueClick Media" brand name, provides a comprehensive suite of digital marketing services and tailored programs that help marketers create and increase awareness for their products and brands, attract visitors and generate leads and sales through the Internet and mobile applications. In August 2011, the Company acquired Dotomi, Inc. ("Dotomi"), a leading provider of data-driven, intelligent display media for major retailers, and in April 2011, the Company acquired Greystripe, Inc. ("Greystripe"), the largest brand-focused mobile advertising network. The Company has integrated Dotomi and Greystripe into its Media segment. ValueClick Media, Dotomi and Greystripe (collectively "ValueClick Media") are able to access their customers' target audiences through the unique combination of: proprietary broad-based network of thousands of high-quality online publishers; relationships with leading mobile application developers; vertically-focused networks in the areas of pharma/healthcare (AdRx Media), home and garden (Modern Living Media) and motherhood (Mom's Media); its ability to acquire inventory by bidding on a real-time basis through ad exchanges and other channels; and its ability to access inventory from ValueClick's owned and operated websites, as described below. ValueClick Media applies its proprietary data and targeting and optimization technologies to these inventory sources to ensure that the metrics that are most important to its customers are achieved. ValueClick Media's services are sold on a variety of pricing models, including cost-per-action ("CPA"), cost-per-thousand-impression ("CPM") and cost-per-click ("CPC").

OWNED & OPERATED WEBSITES - ValueClick's Owned & Operated Websites segment services are offered through a number of branded websites, including Pricerunner, Smarter.com, Couponmountain.com, and Investopedia.com, and a limited number of content websites in key online verticals such as healthcare, finance, travel, home and garden, education, and business services.

The Pricerunner comparison shopping destination websites operate in the United Kingdom, Sweden, Germany, France, Denmark, and Austria. The Smarter.com and Couponmountain.com websites operate primarily in the United States and, to a lesser extent, Japan, Korea and China. The Pricerunner and Smarter.com websites enable consumers to research and compare products from among thousands of online and/or offline merchants using its proprietary technologies. The Company gathers product and merchant data and organizes it into comprehensive catalogs on its destination websites, along with relevant consumer and professional reviews. The Couponmountain.com website allows consumers to locate coupons and deals related to products and services that may be of interest to them. The Company's Investopedia.com website, which the Company

acquired in August 2010, provides information on a broad range of financial and investment topics, including a proprietary dictionary of financial terms, and the Company's other vertical content websites offer consumers information and reference material across a variety of topics. The Company's services in these areas are free for consumers, and revenue is generated in one of three ways: on a CPC basis for traffic delivered to the customers' websites from listings on the Company's websites; on a CPA basis when a consumer completes a purchase or other specific event; and on a CPM basis for display advertising shown on the Company's websites.

In addition to the Company's destination websites, Search123, which operates primarily in Europe, is ValueClick's self-service paid search offering that generates its traffic primarily through syndication relationships with content websites. Search syndication revenues are driven primarily on a CPC basis.

TECHNOLOGY - ValueClick's Technology segment, which operates under the "Mediaplex" brand name, is an application services provider ("ASP") offering technology products and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline, and affiliate. Mediaplex's MOJO ® product suite is supported by a single proprietary technology platform, which has the ability to manage all aspects of online advertising from campaign implementation to real-time behavioral targeting to enterprise-level cross channel analysis. Revenues are primarily driven by software access and usage fees which are priced on a CPM or email-delivered basis.

Basis of Presentation and Use of Estimates

The condensed consolidated financial statements are unaudited and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period. As permitted by the Securities and Exchange Commission (“SEC”) under Rule 10-01 of Regulation S-X, the accompanying condensed consolidated financial statements and related notes have been condensed and do not contain certain information that may be included in ValueClick's annual consolidated financial statements and notes thereto. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in ValueClick's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 , filed with the SEC on February 29, 2012 . The December 31, 2011 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including, but not limited to, those related to: i) the allowance for doubtful accounts and sales credits; ii) the fair value of the Company's debt and interest rate swap; iii) the valuation of equity instruments granted by the Company; iv) the value assigned to, recoverability and estimated useful lives of, goodwill and intangible assets acquired in business combinations; v) the Company's income tax expense, its deferred tax assets and liabilities and any valuation allowances recorded against deferred tax assets; and vi) the recognition and disclosure of contingent liabilities. These estimates and assumptions are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

Cost Reclassifications and Corrections

Costs associated with payments to search engines for driving consumer traffic to the Company's owned and operated websites have historically been classified in operating expenses in the *Sales and marketing expense* line item. Beginning in the fourth quarter of 2011, the Company is classifying these costs in the *Cost of revenue* line item.

Additionally, the Company corrected the accounting classification of the amortization of developed technologies and websites acquired in business combinations by including it in *Cost of revenue* beginning in the fourth quarter of 2011. Amortization related to developed technologies and websites acquired in business combinations was previously recorded in operating expenses in the *Amortization of intangible assets acquired in business combinations* line item. All prior periods presented in the Consolidated Statements of Comprehensive Income included herein are presented using the new classifications.

The following table sets forth the effects of these revised classifications on affected items within the Company's previously reported Condensed Consolidated Statements of Comprehensive Income (in thousands):

	Three-month Period Ended March 31, 2011			
	As Reported	Cost Reclassification	Amortization Correction	As Adjusted
Cost of revenue	32,877	16,917	2,180	51,974
Gross profit	83,634	(16,917)	(2,180)	64,537
Sales and marketing expense	29,549	(16,917)	—	12,632
Amortization of intangible assets acquired in business combinations	4,888	—	(2,180)	2,708

2. RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2011, the Financial Accounting Standards Board ("FASB") issued amendments to the goodwill impairment guidance which provides an option for companies to use a qualitative approach to test goodwill for impairment if certain conditions are met. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (early adoption is permitted). The implementation of this amended accounting guidance is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In June 2011, the FASB issued authoritative guidance related to the presentation of other comprehensive income. The guidance requires companies to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This guidance eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. This standard is effective for interim and annual periods beginning after December 15, 2011 (early adoption is permitted) and requires retrospective application. Also, in December 2011, the FASB indefinitely deferred the requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. The Company early adopted the presentation requirement of other comprehensive income for the year ended December 31, 2011.

In May 2011, the FASB issued new accounting guidance that amends some fair value measurement principles and disclosure requirements. The new guidance states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. The Company adopted this accounting standard upon its effective date for periods ending on or after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

3. STOCK-BASED COMPENSATION

In the three-month periods ended March 31, 2012 and 2011 , the Company recognized stock-based compensation of $6.1 million and $1.9 million , respectively. The increase in stock-based compensation for the three-month period ended March 31, 2012 from the prior year period was primarily due to assumed equity awards from the Dotomi and Greystripe acquisitions and new equity grants to current employees. The following table summarizes, by statement of comprehensive income line item, the impact of stock-based compensation and the related income tax benefits recognized in the three -month periods ended March 31, 2012 and 2011 (in thousands):

	Three-month Period Ended March 31,	
	2012	2011
Sales and marketing	$ 1,654	$ 286
General and administrative	3,026	1,413
Technology	1,406	218
Stock-based compensation	6,086	1,917
Related income tax benefits	(1,723)	(771)
Stock-based compensation, net of tax benefits	$ 4,363	$ 1,146

4. RECENT BUSINESS COMBINATIONS

Dotomi. On August 31, 2011, the Company completed the acquisition of Dotomi, a leading provider of data-driven, intelligent display media for major retailers. Under the terms of the agreement, the Company acquired all outstanding equity interests in Dotomi for total consideration of $288.1 million , consisting of cash consideration of $171.8 million , 7.1 million shares of the Company's stock valued at $109.4 million , and approximately 0.5 million shares of fully vested stock options assumed valued at $6.9 million . In addition, ValueClick assumed approximately 0.4 million unvested shares of restricted stock and 0.5 million unvested options to purchase shares of ValueClick common stock. The fair value of the assumed unvested restricted stock and options is being expensed in periods subsequent to the acquisition date. The Company incurred $0.4 million in transaction costs, which is recorded in the "General and administrative expense" caption in the accompanying Condensed Consolidated Statements of Comprehensive Income.

Dotomi provides the Company with a unique set of data-driven targeting capabilities combined with expertise in brand strategy and creative development. These factors contributed to a purchase price in excess of the fair value of Dotomi's net tangible and intangible assets acquired, and, as a result, the Company has recorded goodwill in connection with this transaction. The results of Dotomi's operations are included in the Company's consolidated financial statements beginning on August 31, 2011.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values, and the useful lives, in years, assigned to intangible assets, is as follows (in thousands):

	Useful life	
Cash		$ 23,624
Accounts receivable and other assets		12,659
Deferred tax assets		5,856
Property and equipment		4,452
Amortizable intangible assets:		
Customer, affiliate and advertiser relationships	5	56,860
Developed technologies and websites	4	19,880
Trademarks, trade names and domain names	5	3,570
Covenants not to compete	1	2,150
Goodwill		206,180
Total assets acquired		335,231
Deferred tax liability		(38,505)
Income taxes payable		(1,393)
Other liabilities assumed		(7,210)
Total		$ 288,123

The identifiable intangible assets, goodwill and deferred income taxes resulting from this acquisition are based upon preliminary valuation assumptions and may change based on final analysis. Any such change may result in reclassification between identifiable intangible assets, goodwill and deferred income taxes. The Company does not expect any goodwill to be tax deductible. Goodwill resulting from this acquisition is currently assigned to the Dotomi reporting unit within the Media segment. As the Company finalizes the integration of the Dotomi business, it will assess whether any changes are needed to this classification.

Greystripe, Inc. On April 21, 2011, the Company completed the acquisition of Greystripe, a brand-focused mobile advertising network. Under the terms of the agreement, the Company acquired all outstanding equity interests in Greystripe for cash consideration of $70.6 million .

Greystripe provides the Company with immediate scale in the U.S. mobile advertising market. This factor contributed to a purchase price in excess of the fair value of Greystripe's net tangible and intangible assets acquired, and, as a result, the Company has recorded goodwill in connection with this transaction. The results of Greystripe's operations are included in the Company's consolidated financial statements beginning on April 21, 2011.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values, and the useful lives, in years, assigned to intangible assets, is a follows (in thousands):

Cash		$ 1,871
Accounts receivable and other assets		3,450
Deferred tax assets		8,703
Property and equipment		110
	Useful life	
Amortizable intangible assets:		
Customer, affiliate and advertiser relationships	5	10,150
Developed technologies and websites	4	11,890
Trademarks, trade names and domain names	4	340
Covenants not to compete	1.5	1,920
Goodwill		45,409
Total assets acquired		83,843
Deferred tax liability		(9,634)
Other liabilities assumed		(3,579)
Total		$ 70,630

The identifiable intangible assets, goodwill and deferred income taxes resulting from this acquisition are based upon preliminary valuation assumptions and may change based on final analysis. Any such change may result in reclassification between identifiable intangible assets, goodwill and deferred income taxes. The Company does not expect any goodwill to be tax deductible.

5. NOTE RECEIVABLE

The Company sold its Web Clients business on February 1, 2010. The net proceeds from the sale of approximately $32.8 million consisted of the estimated discounted fair value of a $45.0 million (face amount) five-year note receivable bearing interest at the rate of five percent, with monthly payments amortized over a ten year period and a balloon payment at the end of the fifth year. The note is collateralized by substantially all of the assets of the buyer, consisting of Web Clients and other unrelated businesses. The collateralization of Web Clients resulted in the identification of Web Clients as a variable interest entity. However, because the Company does not have the power to direct the day-to-day operations of Web Clients and the risk of loss is limited to the amount of the note receivable, the Company is not considered the primary beneficiary and is not required to consolidate this variable interest entity. Other than the note receivable, the Company has not, nor does it intend to, provide financial or other support to Web Clients.

The following table details the composition of the note receivable at March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012	December 31, 2011
Note receivable, gross	$ 37,600	$ 38,654
Discount	(6,783)	(7,387)
Note receivable, net of discount	30,817	31,267
Less: current portion	(1,632)	(1,567)
Note receivable, less current portion	$ 29,185	$ 29,700

The Company classifies the portion of the note receivable due within one year as current assets in the caption *Prepaid expenses and other current assets* in the accompanying Condensed Consolidated Balance Sheets. The total long-term portion of the note receivable as of March 31, 2012 is classified separately on the Condensed Consolidated Balance Sheets. Through the Company's review of the buyer's financial statements and its history of on-time payments, the Company determined that as of March 31, 2012 and December 31, 2011 , an allowance for credit loss was not required. The Company reflects interest income associated with this note in the *Interest and other income, net* caption in the accompanying Condensed Consolidated Statements of Comprehensive Income. Total interest income related to this note was $1.1 million for the three -month periods ended March 31, 2012 and 2011 .

6. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by reporting unit, for the three -month period ended March 31, 2012 were as follows (in thousands):

	Affiliate Marketing	Dotomi	Media	Owned & Operated Websites	Total
Balance at December 31, 2011	$ 30,363	207,746	$ 152,369	$ 46,555	$ 437,033
Foreign currency translation adjustments	185	—	79	564	828
Purchase price allocation adjustments	—	(1,566)	(1,089)	—	(2,655)
Balance at March 31, 2012	$ 30,548	$ 206,180	$ 151,359	$ 47,119	$ 435,206

Goodwill, accumulated impairment losses and the net carrying amount of goodwill, by reporting unit, as of March 31, 2012 and December 31, 2011 were as follows (in thousands):

	Affiliate Marketing	Dotomi	Media	Owned & Operated Websites	Total
March 31, 2012					
Goodwill	$ 30,548	$ 206,180	$ 263,359	$ 257,119	$ 757,206
Accumulated impairment losses	—	—	(112,000)	(210,000)	(322,000)
Goodwill, net	$ 30,548	$ 206,180	$ 151,359	$ 47,119	$ 435,206
December 31, 2011					
Goodwill	$ 30,363	$ 207,746	$ 264,369	$ 256,555	$ 759,033
Accumulated impairment losses	—	—	(112,000)	(210,000)	(322,000)
Goodwill, net	$ 30,363	$ 207,746	$ 152,369	$ 46,555	$ 437,033

The gross balance, accumulated amortization and net carrying amount of the Company's intangible assets as of March 31, 2012 and December 31, 2011 were as follows (in thousands):

	Gross Balance	Accumulated Amortization	Net Carrying Amount
March 31, 2012			
Customer, affiliate and advertiser relationships	$ 108,036	$ (47,050)	$ 60,986
Trademarks, trade names and domain names	34,101	(21,703)	12,398
Developed technologies and websites	66,182	(35,793)	30,389
Covenants not to compete	4,070	(2,460)	1,610
Total intangible assets	$ 212,389	$ (107,006)	$ 105,383
December 31, 2011			
Customer, affiliate and advertiser relationships	$ 107,686	$ (42,238)	$ 65,448
Trademarks, trade names and domain names	33,583	(20,340)	13,243
Developed technologies and websites	66,125	(33,277)	32,848
Covenants not to compete	4,070	(1,602)	2,468
Total intangible assets	$ 211,464	$ (97,457)	$ 114,007

For the three -month period ended March 31, 2012 , the increase in the gross intangible assets balance was due to foreign currency translation adjustments of $0.9 million .

The following table summarizes, by consolidated statement of comprehensive income line item, the impact of amortization expense recognized for the three month periods ended March 31, 2012 and 2011 (in thousands):

	Three-month Period Ended March 31,	
	2012	2011
Amortization of acquired developed technologies and websites included in consolidated cost of revenue	$ 2,493	$ 2,180
Amortization of acquired intangible assets included in consolidated operating expenses	6,324	2,708
Total	$ 8,817	$ 4,888

Estimated intangible asset amortization expense for the remainder of 2012, the succeeding five years and thereafter, is as follows (in thousands):

	Amortization included in:		
	Cost of revenue	Operating expenses	Total
Nine months ending December 31, 2012	$ 7,485	$ 16,111	$ 23,596
2013	$ 9,353	$ 15,536	$ 24,889
2014	$ 8,476	$ 15,333	$ 23,809
2015	$ 4,764	$ 15,274	$ 20,038
2016	$ 311	$ 9,815	$ 10,126
Thereafter	$ —	$ 2,925	$ 2,925

7. ACCOUNTS RECEIVABLE

Accounts receivable are stated net of an allowance for doubtful accounts and sales credits of $5.2 million at March 31, 2012 and $4.7 million at December 31, 2011 . No customers accounted for more than 10% of the accounts receivable balance at March 31, 2012 or December 31, 2011 .

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012	December 31, 2011
Computer equipment and purchased software	$ 48,521	$ 44,673
Furniture and equipment	4,929	4,924
Leasehold improvements	3,466	3,400
Property and equipment, gross	56,916	52,997
Less: accumulated depreciation and leasehold amortization	(35,620)	(33,045)
Total property and equipment, net	$ 21,296	$ 19,952

9. FAIR VALUE MEASUREMENT

The accounting guidance for fair value measurements defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. This accounting guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, this accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as fair value measured based on observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as fair value measured based on observable inputs other than the quoted prices included within Level 1 that are observable, either directly or indirectly; and Level 3, defined as fair value measured based on unobservable inputs for which there is little or no market data, therefore requiring the reporting entity to develop its own assumptions. The fair value hierarchy also requires an

entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As of March 31, 2012 and December 31, 2011 , the Company's financial instruments required to be measured at fair value consist of cash and cash equivalents, net accounts receivable, accounts payable and accrued expenses, debt, and certain other immaterial assets and/or liabilities. The carrying value of the cash equivalents, which consist of money market funds measured using level 1 inputs, net accounts receivable and accounts payable and accrued expenses are reasonable estimates of their fair value because of their short-term nature. The carrying value of the Company's debt approximates its fair value based on Level 2 inputs, and after consideration of default and credit risk.

10. COMMITMENTS AND CONTINGENCIES

In March 2012, the Company entered into a new facility lease in Chicago that will increase its total future minimum lease commitments over the next ten years, beginning in July 2012 **,** by $16.2 million .

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that is reasonably possible to have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

11. INCOME TAXES

As of December 31, 2011 , the Company had recorded a liability of $16.9 million for unrecognized tax benefits. During the three -month period ended March 31, 2012 , the Company’s liability for unrecognized tax benefits increased by $0.4 million as a result of income tax positions taken during the period, decreased by $0.2 million as a result of settlement, and decreased by $0.5 million as a result of expiration of certain statutes of limitations, resulting in a total liability for unrecognized tax benefits at March 31, 2012 of $16.6 million . If recognized in future periods, this liability for unrecognized tax benefits would be recorded as a reduction to income tax expense. Facts and circumstances could arise in the twelve-month period following March 31, 2012 that could cause the Company to reduce the liability for unrecognized tax benefits, including, but not limited to, settlement of income tax positions or expiration of the statutes of limitations. Because the ultimate resolution of uncertain tax positions depends on many factors and assumptions, the Company is not able to estimate the range of potential changes in the liability for unrecognized tax benefits or the timing of such changes.

The Company’s policy is to recognize interest and penalties expense, if any, related to unrecognized tax benefits as a component of income tax expense. The Company recognized $0.3 million in gross interest and penalties expense related to unrecognized tax benefits in the three -month periods ended March 31, 2012 and 2011 , offset by a reversal of prior accrued interest and penalties of $0.4 million in the three-month period ended March 31, 2012 as a result of the expiration of certain statutes of limitations. The Company had an accrual for interest and penalties in the amount of $7.7 million and $7.8 million at March 31, 2012 and December 31, 2011 , respectively, related to unrecognized tax benefits. These amounts are included in non-current income taxes payable.

The Company’s uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. These include the 2008 through 2011 tax years for federal purposes, 1999 and 2004 through 2011 tax years for various state jurisdictions, and 2004 through 2011 tax years for various foreign jurisdictions. The Company is currently under Internal Revenue Service audit examination for the 2007 tax year, as well as various state and foreign jurisdictions for various tax years.

12. STOCKHOLDERS’ EQUITY

In September 2001, the Company’s board of directors authorized a stock repurchase program (the “Program”) to allow for the repurchase of shares of the Company’s common stock at prevailing market prices in the open market or through unsolicited negotiated transactions. Since the inception of the Program and through December 31, 2011 , the Company’s board of directors authorized a total of $633.3 million for repurchases under the Program and the Company had repurchased a total of 64.4 million shares of its common stock for approximately $592.5 million . During the three -month period ended March 31, 2012 , the Company's board of directors authorized $59.2 million for additional repurchases under the Program. As of March 31, 2012 , up to an additional $100.0 million of the Company’s capital may be used to repurchase shares of the Company’s outstanding common stock under the Program.

Repurchases have been funded from available working capital and borrowings under the Company's credit facility, and

all shares have been retired subsequent to their repurchase. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue repurchases at any time that management or the Company's board of directors determines additional repurchases are not warranted. The amounts authorized by the Company's board of directors exclude broker commissions.

13. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share for the periods indicated (in thousands, except per share data):

	Three-month Period Ended March 31,	
	2012	2011
Net income	$ 21,571	$ 16,862
Weighted-average common shares outstanding - basic	80,339	80,687
Dilutive effect of stock options and employee benefit plans	1,767	957
Number of shares used to compute net income per common share - diluted	82,106	81,644
Net income per common share:		
Basic	$ 0.27	$ 0.21
Diluted	$ 0.26	$ 0.21

Employee stock-based awards totaling 106,000 shares and 904,000 shares during the three -month periods ended March 31, 2012 and 2011 , respectively, were excluded from the computation of diluted net income per common share because their effect would have been anti-dilutive under the treasury stock method.

14. CREDIT AGREEMENT

On August 19, 2011, the Company entered into an Amended and Restated Credit Agreement (the "Credit Facility"), which replaced the Company's previous line of credit. The Credit Facility consists of a revolving loan commitment of $150.0 million and a term loan of $50.0 million . The Credit Facility expires on August 19, 2016. Borrowings under the facility bear interest at either (i) the Base Rate, which is equal to the highest of (a) the Agent's prime rate, (b) the federal funds rate plus 1.50% and (c) the one month reserve adjusted daily LIBOR rate plus 1.50% , or (ii) the London Interbank Offered Rate ("LIBOR"), in each case plus an applicable margin as in effect at each interest calculation date. The applicable margin in effect from time to time is based on the Company's total leverage ratio. The applicable margins range from 1.25% to 2.00% for LIBOR loans and from 0.25% to 1.00% for Base Rate loans.

Certain of the Company's domestic subsidiaries have guaranteed the obligations of the Company and all future domestic subsidiaries of the Company also are required to guarantee the obligations of the Company under the Credit Facility. The Company's obligations are secured by a lien on substantially all of its present and future assets pursuant to a separate security agreement (the "Security Agreement"). In addition, the obligations of each subsidiary guarantor are secured by a lien on substantially all of such subsidiary's present and future assets pursuant to a separate guaranty agreement (the "Guaranty Agreement"). The subsidiary guarantees and the collateral under the Security Agreement are subject to release upon fulfillment of certain conditions specified in the Credit Facility, Security Agreement and the Guaranty Agreement.

The Credit Facility is available to be used by the Company to, among other things, fund its working capital needs and for other general corporate purposes, including acquisitions and stock repurchases. We used borrowings under the Credit Facility to fund a portion of the Dotomi acquisition described in Note 4. The Company pays a commitment fee on the unused portion of the revolving loan commitment amount up to a maximum of 0.35% based on the Company's total leverage ratio. The agreement also contains customary events of default such as failure to pay interest or principal when due, material inaccuracy of representations or warranties, bankruptcy events, change of control, a material adverse change in financial condition or operations, or a default of covenant. Upon the occurrence of an event of default, the principal and accrued interest under the Credit Facility then outstanding may be declared due and payable. At March 31, 2012 , there was $60.0 million outstanding under the revolving loan commitment, and $45.0 million was outstanding under the term loan. The difference between the carrying amount and the fair value of the debt outstanding is not material. The term loan requires payments of $2.5 million per quarter on the last day of each calendar quarter.

Term loan maturities on a calendar year basis are as follows (in thousands):

	Remainder of 2012	2013	2014	2015	2016
Contractual debt obligation maturities	$ 7,500	$ 10,000	$ 10,000	$ 10,000	$ 7,500

The Company has provided various representations and agreed to certain financial covenants including a total leverage ratio, minimum trailing-twelve month EBITDA (defined as earnings before interest income, income taxes, depreciation, amortization, stock-based compensation, and certain other non-cash or non-recurring income or expenses) of $100 million through September 2012 and $125 million thereafter, and minimum unrestricted, unencumbered liquid asset requirements. At March 31, 2012 and December 31, 2011 , the Company was in compliance with all of the financial covenants of the Credit Facility.

In conjunction with the term loan borrowing under the Credit Facility, the Company entered into an interest rate swap agreement to limit its exposure to fluctuations in interest rates and fix the interest payments on the term loan. The terms of the swap, including the notional amount, term and amortization schedule, match the critical terms of the term loan. Under the swap agreement, the Company pays a fixed rate of 0.91% and receives one-month LIBOR, which is the benchmark interest rate on the variable rate term loan. The fair value of the swap at March 31, 2012 and December 31, 2011 , and its impact on interest expense for the quarter then ended is immaterial to the Company's consolidated financial statements.

15. SEGMENTS, GEOGRAPHIC INFORMATION AND SIGNIFICANT CUSTOMERS

The Company derives its revenue from four business segments. These business segments are presented on a worldwide basis and include: Affiliate Marketing, Media, Owned & Operated Websites, and Technology. The following table provides revenue and segment income from operations for each of the Company’s four business segments. Segment income from operations, as shown below, is the performance measure used by management to assess segment performance and excludes the effects of stock-based compensation, amortization of intangible assets and corporate expenses. Corporate expenses consist of those costs not directly attributable to a business segment, and include: salaries and benefits for the Company’s executive, finance, legal, corporate governance, human resources, and facilities organizations; fees for professional service providers including audit, tax, Sarbanes-Oxley compliance, acquisition related costs, and certain legal fees; insurance; and, other corporate expenses.

	Revenue		Segment Income from Operations	
	Three-month Period Ended March 31,			
	2012	2011	2012	2011
	(in thousands)			
Affiliate Marketing	$ 37,107	$ 34,474	$ 22,938	$ 20,489
Media	72,129	36,202	19,016	7,848
Owned & Operated Websites	35,095	37,947	6,902	7,047
Technology	8,687	8,081	3,388	4,129
Inter-segment revenue	(166)	(193)	—	—
Total	$ 152,852	$ 116,511	$ 52,244	$ 39,513

A reconciliation of total segment income from operations to consolidated income from operations is as follows for each period (in thousands):

	Three-month Period Ended March 31,	
	2012	2011
Segment income from operations	$ 52,244	$ 39,513
Corporate expenses	(6,928)	(6,200)
Stock-based compensation	(6,086)	(1,917)
Amortization of acquired developed technology and websites included in consolidated cost of revenue	(2,493)	(2,180)
Amortization of acquired intangible assets included in consolidated operating expenses	(6,324)	(2,708)
Consolidated income from operations	$ 30,413	$ 26,508

Depreciation and leasehold amortization expense included in the determination of segment income from operations as presented above for the Affiliate Marketing, Media, Owned & Operated Websites, and Technology segments is as follows for each period (in thousands):

	Three-month Period Ended March 31,	
	2012	2011
Affiliate Marketing	$ 295	$ 252
Media	1,492	682
Owned & Operated Websites	381	443
Technology	380	262
Corporate	82	115
Total	$ 2,630	$ 1,754

The Company's operations are domiciled in the United States with operations internationally in Europe, Canada, South Africa, Korea, China, and Japan through wholly-owned subsidiaries. Revenue is attributed to a geographic region based upon the country from which the customer relationship is maintained. The Company's operations in Canada and China primarily support the revenue generated in the United States and, therefore, the costs associated with these operations are attributed to the United States in the determination of geographic income from operations shown below.

The Company's geographic information was as follows (in thousands):

	Revenue	
	Three-month Period Ended March 31,	
	2012	2011
United States	$ 127,011	$ 90,898
United Kingdom	14,223	14,715
Other countries	13,084	12,309
Inter-regional eliminations	(1,466)	(1,411)
Total	$ 152,852	$ 116,511

	Income from Operations	
	Three-month Period Ended March 31,	
	2012	2011
United States	$ 25,570	$ 20,568
United Kingdom	2,610	3,684
Other countries	2,233	2,256
Total	$ 30,413	$ 26,508

For the three -month periods ended March 31, 2012 and 2011 , one customer, Google, accounted for approximately 11.0% and 15.9% , respectively, of total revenue. Revenue from Google is recognized entirely in the Company's Owned & Operated Websites segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT

This report contains forward-looking statements based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-

looking statements as a result of various factors. The section entitled "Risk Factors" in this Form 10-Q and similar discussions in our Annual Report on Form 10-K for the year ended December 31, 2011 , and in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the other information in this report, and in our other filings with the SEC, before deciding to invest in our company or to maintain or increase your investment. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The information contained in this Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that discuss our business in greater detail and advise interested parties of certain risks, uncertainties and other factors that may affect our business, results of operations or financial condition.

OVERVIEW

ValueClick, Inc. and its subsidiaries (collectively "ValueClick" or the "Company" or in the first person, "we", "us" and "our") is one of the world's largest and most comprehensive digital marketing services companies. We offer a suite of products and services that enable marketers to engage with their current and potential customers online and through mobile devices to increase brand awareness and generate leads and sales. We also offer technology infrastructure tools and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline, and affiliate. The broad range of products and services that we provide enables our customers to address all aspects of the digital marketing process, including strategic planning, ad creation and optimization, media sourcing, and sophisticated reporting and analytics.

Our customers are primarily direct marketers, brand advertisers and the advertising agencies that service these groups. The proposition we offer our customers includes: one of the industry's broadest online marketing services portfolios—including performance-based campaigns and programs where marketers only pay for advertising when it generates a customer lead or product sale; our ability to target campaigns to reach the online consumers our customers are most interested in; and the scale at which we can deliver results for online advertising campaigns.

We generate the audiences for our advertisers' campaigns through a unique combination of: proprietary networks of third-party websites, ad exchanges, ad network optimization providers, spot buys with large publishers, search engines, and websites that we own and operate in several key verticals. Our sophisticated data management platform harnesses the large amount of anonymous data that is generated by our businesses, and we utilize this data, along with our technology platforms and marketing expertise, to deliver measurable performance for our customers.

Our publisher partners enjoy efficient and effective monetization of their online advertising inventory through representation by our direct sales teams in major U.S. and European media markets, participation in large-scale advertiser and advertising agency campaigns they may not have access to on their own, enhanced monetization through our proprietary campaign optimization and targeting technology, and settlement services to facilitate payments to publishers for the online inventory utilized by the advertisers. As we do not primarily compete directly with our publisher partners for online consumers, we act as a trusted partner in helping online publishers monetize their online audience and advertising inventory.

We believe that the effectiveness of our online marketing services is dependent on the quality of our networks and our publisher partner relationships. As such, we have established stringent quality standards that include publisher rejection from our networks due to inappropriate content, illegal activity and fraudulent clicking activity, among other criteria. We enforce these quality standards using a combination of manual and automated auditing processes that continually monitor and review both website content and adherence to advertiser campaign specifications.

We derive our revenue from four business segments. These business segments are presented on a worldwide basis and include Affiliate Marketing, Media, Owned & Operated Websites, and Technology, which are described in more detail below.

AFFILIATE MARKETING

ValueClick's Affiliate Marketing segment, which operates under the "Commission Junction" brand name, provides the technology, network and customer service that, in combination, enable advertisers to create their own fully-commissioned online sales force comprised of third-party website publishers, also known as affiliates. Advertisers that utilize the Commission Junction platform generally are only obligated to pay affiliates when the affiliate delivers a consumer who achieves the desired result, which is typically a closed e-commerce transaction or a new customer lead. By joining the Commission Junction network, advertisers gain access to: a) the Company's proprietary technology platform that has been developed over the past decade and is completely focused on the unique needs of the affiliate marketing channel; b) a proprietary network of tens of

thousands of high-quality website publishers; and c) the Company's digital marketing expertise and campaign management teams who ensure advertisers' campaigns are optimized for maximum performance. Commission Junction's revenues are driven primarily by variable compensation that is generally based on either a percentage of commissions paid by the Company's customers to affiliates or on a percentage of transaction revenue generated by the Company's customers from the programs managed with the Company's affiliate marketing platforms.

MEDIA

ValueClick's Media segment, which has historically operated under the "ValueClick Media" brand name, provides a comprehensive suite of digital marketing services and tailored programs that help marketers create and increase awareness for their products and brands, attract visitors and generate leads and sales through the Internet and mobile applications. In August 2011, we acquired Dotomi, Inc. ("Dotomi"), a leading provider of data-driven, intelligent display media for major retailers, and in April 2011, we acquired Greystripe, Inc. ("Greystripe"), the largest brand-focused mobile advertising network. ValueClick Media, Dotomi and Greystripe (collectively "ValueClick Media") are able to access their customers' target audiences through the unique combination of: proprietary broad-based network of thousands of high-quality online publishers; relationships with leading mobile application developers; vertically-focused networks in the areas of pharma/healthcare (AdRx Media), home and garden (Modern Living Media) and motherhood (Mom's Media); its ability to acquire inventory by bidding on a real-time basis through ad exchanges and other channels; and its ability to access inventory from ValueClick's owned and operated websites, as described below. ValueClick Media applies its proprietary data and targeting and optimization technologies to these inventory sources to ensure that the metrics that are most important to its customers are achieved. ValueClick Media's services are sold on a variety of pricing models, including cost-per-action ("CPA"), cost-per-thousand-impression ("CPM"), and cost-per-click ("CPC").

OWNED & OPERATED WEBSITES

ValueClick's Owned & Operated Websites segment services are offered through a number of branded websites, including Pricerunner, Smarter.com, Couponmountain.com, and Investopedia.com, and a limited number of content websites in key online verticals such as healthcare, finance, travel, home and garden, education, and business services.

The Pricerunner comparison shopping destination websites operate in the United Kingdom, Sweden, Germany, France, Denmark, and Austria. The Smarter.com and Couponmountain.com websites operate primarily in the United States and, to a lesser extent, Japan, Korea and China. The Pricerunner and Smarter.com websites enable consumers to research and compare products from among thousands of online and/or offline merchants using its proprietary technologies. The Company gathers product and merchant data and organizes it into comprehensive catalogs on its destination websites, along with relevant consumer and professional reviews. The Couponmountain.com website allows consumers to locate coupons and deals related to products and services that may be of interest to them. The Company's Investopedia.com website, which the Company acquired in August 2010, provides information on a broad range of financial and investment topics, including a proprietary dictionary of financial terms, and the Company's other vertical content websites offer consumers information and reference material across a variety of topics. The Company's services in these areas are free for consumers, and revenue is generated in one of three ways: on a CPC basis for traffic delivered to the customers' websites from listings on the Company's websites; on a CPA basis when a consumer completes a purchase or other specific event; and on a CPM basis for display advertising shown on the Company's websites.

In addition to the Company's destination websites, Search123, which operates primarily in Europe, is ValueClick's self-service paid search offering that generates its traffic primarily through syndication relationships with content websites. Search syndication revenues are driven primarily on a CPC basis.

TECHNOLOGY

ValueClick's Technology segment, which operates under the "Mediaplex" brand name, is an application services provider ("ASP") offering technology products and services that enable marketers to implement and manage their online advertising across multiple channels including display, email, paid search, natural search, on-site, offline and affiliate. Mediaplex's MOJO® product suite is supported by a single proprietary technology platform, which has the ability to manage all aspects of online advertising from campaign implementation to real-time behavioral targeting to enterprise-level cross channel analysis. Revenues are primarily driven by software access and usage fees which are priced on a CPM or email-delivered basis.

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SEGMENT OPERATING RESULTS

The following table provides revenue, cost of revenue, gross profit, operating expenses, and income from operations information for each of our four business segments. Segment income from operations, as shown below, is the performance measure used by management to assess segment performance and excludes the effects of: stock-based compensation, amortization of intangible assets and corporate expenses. Corporate expenses consist of those costs not directly attributable to a business segment, and include: salaries and benefits for our executive, finance, legal, corporate governance, human resources, and facilities organizations; fees for professional service providers including audit, tax, Sarbanes-Oxley compliance, acquisition related costs, and certain legal matters; insurance; and, other corporate expenses. A reconciliation of segment income from operations to consolidated income from operations and a reconciliation of segment revenue to consolidated revenue are also provided in the following table.

	Three-month Period Ended March 31,	
	2012	2011
	(in thousands)	
Affiliate Marketing		
Revenue	$ 37,107	$ 34,474
Cost of revenue	4,176	4,324
Gross profit	32,931	30,150
Operating expenses	9,993	9,661
Segment income from operations	$ 22,938	$ 20,489
Media		
Revenue	$ 72,129	$ 36,202
Cost of revenue	29,482	19,713
Gross profit	42,647	16,489
Operating expenses	23,631	8,641
Segment income from operations	$ 19,016	$ 7,848
Owned & Operated Websites		
Revenue	$ 35,095	$ 37,947
Cost of revenue	21,733	24,992
Gross profit	13,362	12,955
Operating expenses	6,460	5,908
Segment income from operations	$ 6,902	$ 7,047
Technology		
Revenue	$ 8,687	$ 8,081
Cost of revenue	1,188	918
Gross profit	7,499	7,163
Operating expenses	4,111	3,034
Segment income from operations	$ 3,388	$ 4,129
Reconciliation of segment income from operations to consolidated income from operations:		
Total segment income from operations	$ 52,244	$ 39,513
Corporate expenses	(6,928)	(6,200)
Stock-based compensation	(6,086)	(1,917)
Amortization of acquired developed technology and websites included in consolidated cost of revenue	(2,493)	(2,180)
Amortization of intangible assets included in consolidated operating expenses	(6,324)	(2,708)
Consolidated income from operations	$ 30,413	$ 26,508
Reconciliation of segment revenue to consolidated revenue:		
Affiliate Marketing	$ 37,107	$ 34,474

Media	72,129	36,202
Owned & Operated Websites	35,095	37,947
Technology	8,687	8,081
Inter-segment eliminations	(166)	(193)
Consolidated revenue	$ 152,852	$ 116,511

RESULTS OF OPERATIONS—THREE-MONTH PERIOD ENDED MARCH 31, 2012 COMPARED TO MARCH 31, 2011

Revenue. Consolidated revenue for the three-month period ended March 31, 2012 was $152.9 million compared to $116.5 million for the same period in 2011 , representing a 31.2% increase, or $36.3 million .

Affiliate Marketing segment revenue increased to $37.1 million for the three-month period ended March 31, 2012 compared to $34.5 million in the same period in 2011 . This increase of $2.6 million , or 7.6% , was attributable to our domestic operations and due to an increase in transaction volumes associated with existing customers and an increase in the number of customers. Domestic affiliate marketing growth was offset by a decrease in our European affiliate marketing business. Changes in our pricing or the average order value of transactions closed on our network did not have a significant impact on Affiliate Marketing revenue in the three-month period ended March 31, 2012 .

Media segment revenue increased to $72.1 million for the three-month period ended March 31, 2012 compared to $36.2 million for the same period in 2011 . The increase of $35.9 million , or 99.2% , in Media segment revenue was attributable to the acquisitions of Dotomi, acquired on August 31, 2011, and Greystripe, acquired on April 21, 2011, and, to a lesser extent, growth in our historical display business.

Owned & Operated Websites segment revenue decreased to $35.1 million for the three-month period ended March 31, 2012 compared to $37.9 million in the same period in 2011 . The decrease of $2.9 million , or 7.5% , was primarily attributable to our efforts to reduce the volume of activity within the Owned & Operated Websites segment that relies on paid traffic and search monetization. Owned & Operated Websites segment revenue is concentrated with one major customer, Google. A loss of, or further reduction of revenue from, this customer could have a significant negative impact on the revenue of this segment and the Company.

Technology segment revenue was $8.7 million for the three-month period ended March 31, 2012 compared to $8.1 million for the same period in 2011 , an increase of $0.6 million , or 7.5% . The increase in revenue was due to higher volumes of ad serving in both our domestic and international operations. Technology segment revenue is concentrated with a limited number of customers. A loss of, or reduction of revenue from, one or more of these customers could have a significant negative impact on the revenue of this segment.

Cost of Revenue and Gross Profit. Cost of revenue includes payments to website publishers, payments to search engines for driving consumer traffic to our owned and operated websites, certain labor costs that are directly related to revenue-producing activities, Internet access costs, amortization of developed technology and websites acquired in business combinations, and depreciation on revenue-producing technologies.

Costs associated with payments to search engines for driving consumer traffic to our owned and operated websites were, prior to the fourth quarter of 2011, classified in operating expenses in the *Sales and marketing expense* line item. Beginning in the fourth quarter of 2011, we are classifying these costs in *Cost of revenue* . Additionally, we corrected the accounting classification of the amortization of developed technologies and websites acquired in business combinations by including it in *Cost of revenue* beginning in the fourth quarter of 2011. These reclassifications are more fully described in Note 1 to our condensed consolidated financial statements. Amortization related to developed technologies and websites acquired in business combinations was previously recorded in operating expenses in the *Amortization of intangible assets acquired in business combinations* line item. Prior periods presented in the Condensed Consolidated Statements of Comprehensive Income included herein are presented using the new classifications.

Our consolidated cost of revenue was $59.0 million for the three-month period ended March 31, 2012 compared to $52.0 million for the same period in 2011 , an increase of $7.0 million , or 13.4% . Our consolidated gross margin was 61.4% and 55.4% for the three-month periods ended March 31, 2012 and 2011 , respectively. Consolidated gross margin increased from the year ago period due to the strong gross margin performance in our Media and Owned & Operated segments as described below.

Cost of revenue for the Affiliate Marketing segment decreased slightly to $4.2 million for the three-month period ended March 31, 2012 compared to $4.3 million for the same period in 2011 . Our Affiliate Marketing gross margin remained relatively consistent at 88.7% for the three -month period ended March 31, 2012 compared to 87.5% for the same period in 2011 .

Cost of revenue for the Media segment increased $9.8 million , or 49.6% , to $29.5 million for the three-month period ended March 31, 2012 compared to $19.7 million for the same period in 2011 due to the inclusion of costs of revenue related to the Dotomi and Greystripe acquisitions. Our Media segment gross margin increased to 59.1% for the three-month period ended

March 31, 2012 compared to 45.5% for the same period in 2011 due to the inclusion of the relatively higher gross margin Dotomi business as well as strong gross margin performance in our historical display business.

Cost of revenue for the Owned & Operated Websites segment decreased $3.3 million to $21.7 million for the three-month period ended March 31, 2012 compared to $25.0 million for the same period in 2011 . Our Owned & Operated Websites segment gross margin increased to 38.1% for the three -month period ended March 31, 2012 from 34.1% for the same period in 2011 . The increased gross margin is a result of our efforts to decrease the mix of paid traffic to our destination websites, which generates lower gross margin than our organic (non-paid) traffic sources.

Technology segment cost of revenue increased to $1.2 million for the three-month period ended March 31, 2012 compared to $0.9 million for the same period in 2011 . Our Technology segment gross margin decreased to 86.3% for the three-month period ended March 31, 2012 compared to 88.6% for the same period in 2011 . The increase in cost of revenue and corresponding decrease in gross margin was primarily due to higher depreciation as a result of increased investments in computing infrastructure made in the fourth quarter of 2011.

Operating Expenses:

Sales and Marketing. Sales and marketing expenses consist primarily of compensation and employee benefits of sales and marketing and related support teams, certain advertising costs, travel, trade shows, and marketing materials. Online advertising costs (traffic acquisition costs) in our Owned & Operated segment that were previously included in sales and marketing expenses have been reclassified to cost of revenue for all periods presented, as described above.

Total sales and marketing expenses for the three-month period ended March 31, 2012 were $21.2 million compared to $12.6 million for the same period in 2011 , an increase of $8.5 million , or 67.7% . The increase was primarily due to the acquisitions of Dotomi and Greystripe, including the associated higher stock-based compensation as described below, and increases in salaries and wages as a result of increased headcount in our sales staff. Our sales and marketing expenses as a percentage of revenue increased to 13.9% for the three-month period ended March 31, 2012 compared to 10.8% for the same period in 2011 .

General and Administrative. General and administrative expenses consist primarily of facilities costs, executive and administrative compensation and employee benefits, depreciation, professional services fees, insurance costs, bad debt expense, and other general overhead costs. General and administrative expenses increased to $19.9 million for the three-month period ended March 31, 2012 compared to $12.5 million for the same period in 2011 , an increase of $7.4 million . The increase was primarily due to the acquisitions of Dotomi and Greystripe, including the associated higher stock-based compensation as described below. As a percentage of revenue, general and administrative expenses increased to 13.0% for the three-month period ended March 31, 2012 compared to 10.7% for the year-ago period.

Technology. Technology expenses include costs associated with the maintenance and ongoing development of our technology platforms, including compensation and employee benefits for our engineering and network operations departments, as well as costs for contracted services and supplies. Technology expenses for the three-month period ended March 31, 2012 were $16.1 million , or 10.5% of revenue, compared to $10.2 million , or 8.7% of revenue, for the same period in 2011 , an increase of $5.9 million , or 58.3% . The increase in technology expenses was primarily due to the inclusion of the Dotomi and Greystripe acquisitions, including the associated higher stock-based compensation as described below.

Segment Income from Operations. Affiliate Marketing segment income from operations for the three-month period ended March 31, 2012 increased 12.0% , or $2.4 million , to $22.9 million , from $20.5 million in the same period of the prior year, and represented 61.8% and 59.4% of Affiliate Marketing segment revenue in these respective periods. The increase in Affiliate Marketing segment income from operations and the higher operating margin were attributable to the operating leverage associated with the higher revenue as described above.

Media segment income from operations for the three-month period ended March 31, 2012 increased 142.3% , or $11.2 million , to $19.0 million , from $7.8 million in the same period of the prior year, and represented 26.4% and 21.7% of Media segment revenue in these respective periods. Media segment operating margin increased from the prior year primarily due to the inclusion of Dotomi.

Owned & Operated Websites segment income from operations for the three-month period ended March 31, 2012 decreased to $6.9 million from $7.0 million in the same period of the prior year. The operating margin for this segment remained relatively consistent at 19.7% in the current period compared to 18.6% in the year ago period.

Technology segment income from operations for the three-month period ended March 31, 2012 was $3.4 million and $4.1 million for the three-month periods ended March 31, 2012 and 2010, and represented 39.0% and 51.1% of Technology segment revenue in these respective periods. The decrease in Technology segment income from operations and the lower operating margin were primarily attributable to the lower gross margin as described above and increases in payroll costs due to increased headcount.

Stock-Based Compensation. Stock-based compensation for the three-month period ended March 31, 2012 increased to $6.1 million compared to $1.9 million for the same period in 2011 . The increase in stock-based compensation is primarily due to unvested stock awards assumed in connection with the acquisitions of Dotomi and Greystripe. We currently anticipate stock-based compensation in the range of $22 million to $24 million for the year ending December 31, 2012. Such amounts may change as a result of higher or lower than anticipated equity award grants to new and existing employees, differences between actual and estimated forfeitures of stock awards, fluctuations in the market value of our common stock, modifications to our existing stock award programs, additions of new stock-based compensation programs, or other factors.

Amortization of Intangible Assets. As discussed above under *Cost of revenue* , we corrected the accounting classification of the amortization of developed technologies and websites acquired in business combinations by including it in *Cost of revenue* beginning in the fourth quarter of 2011. All prior periods presented in the Condensed Consolidated Statements of Comprehensive Income included herein are presented using the new classifications. Previously, all amortization expense was recorded in operating expenses in the *Amortization of intangible assets acquired in business combinations* line item.

Amortization of developed technologies and websites acquired in business combinations, included in *Cost of revenue* , for the three-month period ended March 31, 2012 , was $2.5 million compared to $2.2 million in the year ago period. Amortization of all remaining intangible assets, included in *Amortization of intangible assets acquired in business combinations* , increased to $6.3 million for the three-month period ended March 31, 2012 compared to $2.7 million for the same period in 2011 . The increases in amortization of intangible assets are due to the acquisitions of Dotomi and Greystripe. We currently anticipate amortization expense of approximately $32.4 million for the year ending December 31, 2012.

Interest and Other Income, Net. Interest and other income, net remained relatively consistent at $0.2 million for the three-month period ended March 31, 2012 compared to $0.4 million for the same period in 2011 .

Income Tax Expense. For the three-month period ended March 31, 2012 , we recorded income tax expense of $9.1 million compared to $10.1 million for the same period in 2011 . The decrease in the effective income tax rate for the three-month period ended March 31, 2012 to 29.6% from 37.4% in the same period of the prior year was primarily due to the first quarter 2012 recognition of certain state tax law changes and tax benefits related to the reversal of contingency reserves associated with the expiration of certain statutes of limitations. We currently anticipate an effective income tax rate for the year ending December 31, 2012 of approximately 38% .

Adjusted-EBITDA as a Non-GAAP Financial Performance Measure

In evaluating our business, we consider earnings from continuing operations before interest, income taxes, depreciation, amortization, stock-based compensation, and acquisition-related costs ("Adjusted-EBITDA"), a non-GAAP financial measure, as a key indicator of financial operating performance and as a measure of the ability to generate cash for operational activities and future capital expenditures. We use Adjusted−EBITDA in evaluating the overall performance of our business operations. We believe that this measure may also be useful to investors because it eliminates the effects of period-to-period changes in income from interest on our cash and cash equivalents, note receivable, and borrowings, and the costs associated with income tax expense, capital investments, acquisitions, and stock−based compensation expense which are not directly attributable to the underlying performance of our continuing business operations. Investors should not consider this measure in isolation or as a substitute for income from operations, or cash flow from operations determined under U.S. Generally Accepted Accounting Principles (“GAAP”), or any other measure for determining operating performance that is calculated in accordance with GAAP. In addition, because Adjusted−EBITDA is a non-GAAP measure, it may not necessarily be comparable to similarly titled measures employed by other companies.

The following is a reconciliation of net income to Adjusted−EBITDA for the three -month periods ended March 31, 2012 and 2011 (in thousands):

	Three-month Period Ended March 31,	
	2012	2011
Net income	$ 21,571	$ 16,862
Interest and other income, net	(229)	(408)
Income tax expense	9,071	10,054
Amortization of acquired developed technology and websites included in cost of revenue	2,493	2,180
Amortization of acquired intangible assets included in operating expenses	6,324	2,708
Depreciation and leasehold amortization	2,630	1,754
Stock-based compensation	6,086	1,917
Adjusted-EBITDA	$ 47,946	$ 35,067

Adjusted-EBITDA for the three-month periods ended March 31, 2012 increased to $47.9 million from $35.1 million for the same period in 2011, representing an increase of $12.9 million , or 36.7% . The increase was primarily due to increased operating income in our Affiliate Marketing and Media segments as described above.

Liquidity and Capital Resources

We have financed our operations, our stock repurchases and our cash acquisitions primarily through working capital generated from operations and borrowings under our credit facility. At March 31, 2012 , our combined cash and cash equivalents balances totaled $107.7 million , of which $67.2 million was denominated in foreign currencies and $65.7 million was held by our foreign subsidiaries. A majority of the cash held abroad could be repatriated to the U.S. but, under current law, may be subject to U.S. federal income taxes (subject to an adjustment for foreign tax credits).

Net cash provided by operating activities increased to $50.2 million for the three months ended March 31, 2012 compared to $30.0 million in the same period of 2011 . The increase in cash provided by operations was primarily due to an increase in operating income in our Media and Affiliate Marketing segments as described above, and an increase in the impact of net working capital changes on cash, principally due to an increase in collections on our accounts receivable in the current year as compared to the same period in the prior year.

Net cash used in investing activities totaled $3.0 million for the three -month period ended March 31, 2012 due primarily to the use of $3.9 million for equipment purchases offset by proceeds from principal payments received on our note receivable of $1.1 million . Cash provided by investing activities of $2.0 million in the three -month period ended March 31, 2011 was due to proceeds from the sales of marketable securities of $3.0 million and $0.9 million in proceeds from principal payments received on our note receivable, offset by equipment purchases of $1.9 million.

Net cash used in financing activities of $58.5 million for the three months ended March 31, 2012 resulted primarily from repayments under our credit facility of $62.5 million offset partially by $3.3 million in proceeds received from shares issued under our employee stock programs. Net cash used in financing activities of $28.6 million for the three months ended March 31, 2011 was primarily related to common stock repurchases of $31.5 million , partially offset by $2.7 million in proceeds received from shares issued under our employee stock programs.

Credit Facility

On August 19, 2011, we entered into an Amended and Restated Credit Agreement (the "Credit Facility"), which replaced our previous line of credit. The Credit Facility consists of a revolving loan commitment of $150.0 million and a term loan of $50.0 million . The term loan is payable in quarterly installments of $2.5 million per quarter. The Credit Facility expires on August 19, 2016. Availability under the Credit Facility is subject to our meeting certain financial and non-financial covenants, as more fully described in Note 14 to our Condensed Consolidated Financial Statements included herein. The revolving loan commitment provides us with additional financial flexibility for pursuing acquisitions, repurchasing our common stock and general corporate purposes. At March 31, 2012 , there was $60.0 million outstanding under the revolving loan commitment, and $45.0 million was outstanding under the term loan.

Stock Repurchase Program

In September 2001, our board of directors authorized a stock repurchase program (the "Program") to allow for the repurchase of shares of our common stock at prevailing market prices in the open market or through unsolicited negotiated transactions. Since the inception of the Program and through December 31, 2011 , our board of directors authorized a total of $633.3 million for repurchases under the Program and we repurchased a total of 64.4 million shares of our common stock for approximately $592.5 million . During the three -month period ended March 31, 2012 , our board of directors authorized an additional $59.2 million for repurchases under the Program. As of March 31, 2012 , up to an additional $100.0 million of our capital may be used to repurchase shares of our outstanding common stock under the Program.

Repurchases have been funded from available working capital and borrowings under our credit facility, and all shares have been retired subsequent to their repurchase. There is no guarantee as to the exact number of shares that will be repurchased by us, and we may discontinue repurchases at any time that management or our board of directors determines additional repurchases are not warranted. The amounts authorized by our board of directors exclude broker commissions.

Commitments and Contingencies

In March 2012, we entered into a new facility lease in Chicago that will increase our total future minimum lease commitments over the next ten years, beginning in July 2012 **,** by $16.2 million. Other than this lease, and repayments under our credit agreement, there were no significant changes to our commitments and contingencies during the three -month period ended March 31, 2012 .

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. We have also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and certain of our officers, employees and former officers, directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Capital Resources

We believe that the combination of our existing cash and cash equivalents, the revolving portion of our Credit Facility and our expected future cash flows from operations will provide us with sufficient liquidity to fund our operations and capital requirements for at least the next twelve months.

However, it is possible that we may need or elect to raise additional funds to fund our activities beyond the next year or to consummate acquisitions of other businesses, products or technologies. We could raise such funds by selling more stock to the public or to selected investors, or by borrowing under the current or any replacement line of credit, or through other debt instruments. In addition, even though we may not need additional funds, we may still elect to sell additional equity securities for other reasons. We cannot assure you that we will be able to obtain additional funds on commercially favorable terms, or at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders may be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock.

Although we believe we have sufficient capital to fund our activities for at least the next twelve months, our future capital requirements may vary materially from those now planned. The amount of capital that we will need in the future will depend on many factors, including:

- the macroeconomic environment;
- the market acceptance of our products and services;
- the levels of promotion and advertising that will be required to launch our new products and services and achieve and maintain a competitive position in the marketplace;

- our business, product, capital expenditures and technology plans, and product and technology roadmaps;
- capital improvements to new and existing facilities;
- technological advances;
- our competitors' responses to our products and services;
- our pursuit of strategic transactions, including mergers and acquisitions;
- the extent of dislocations in the credit markets in the United States;
- the timing and outcome of examinations by tax authorities;
- our stock repurchase program; and
- our relationships with our advertiser customers and publisher partners.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to, those related to revenue recognition, allowance for doubtful accounts and sales credits, stock-based compensation, income taxes, goodwill and other intangible assets, debt, derivatives, and contingencies and litigation. We base our estimates and assumptions on historical experience and on various other estimates and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

There have been no material changes to the critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 .

Recently Issued Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued amendments to the goodwill impairment guidance which provides an option for companies to use a qualitative approach to test goodwill for impairment if certain conditions are met. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (early adoption is permitted). We do not expect the implementation of this amended accounting guidance to have a material impact on our consolidated financial position or results of operations.

In June 2011, the FASB issued authoritative guidance related to the presentation of other comprehensive income. The guidance requires companies to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This guidance eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. This standard is effective for interim and annual periods beginning after December 15, 2011 (early adoption is permitted) and requires retrospective application. Also, in December 2011, the FASB indefinitely deferred the requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. We early adopted the presentation requirement of other comprehensive income for the year ended December 31, 2011.

In May 2011, the FASB issued new accounting guidance that amends some fair value measurement principles and disclosure requirements. The new guidance states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. We adopted this accounting standard upon its effective date for periods ending on or after December 15, 2011. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our results of operations can be affected by changes in interest rates due to variable rates of interest on our revolving credit facility and cash and cash equivalents. Our exposure to interest rate risk primarily results from changes in one-month LIBOR, which is the benchmark interest rate on borrowings under our credit facility. One-month LIBOR is currently approximately 0.25%. If the one-month LIBOR rate were to increase by 100% to 0.50%, and the entire amount of the revolving portion of our credit facility remained outstanding for a full year, we would experience an annual increase in interest expense of $0.2 million on borrowings under our credit facility. We do not believe that our current investment activities related to our cash and cash equivalents subject us to significant interest rate risks that could have a material impact on our financial position or results of operations.

FOREIGN CURRENCY RISK

We transact business in various foreign countries and are thus subject to exposure from adverse movements in foreign currency exchange rates. This exposure is primarily related to revenue and operating expenses of our foreign subsidiaries, which denominate their transactions primarily in British Pounds, Euros, Swedish Kronor, Japanese Yen, Korean Won, Chinese Yuan Renminbi, and Canadian Dollars. The effect of foreign currency exchange rate fluctuations for the three-month period ended March 31, 2012 was not material to the consolidated results of operations. If there were an adverse change of 10% in overall foreign currency exchange rates over an entire year, the result of translations would be an estimated reduction of revenue of approximately $11.3 million , an estimated reduction of income before income taxes of approximately $2.5 million and an estimated reduction of consolidated net assets of approximately $10.8 million . While we perform certain economic hedging activities related to exposures associated with certain intercompany balances with our foreign subsidiaries, we do not hedge all of the foreign exchange related exposures faced by our operations. Accordingly, we may experience economic loss and a negative impact on earnings, cash flows or equity as a result of foreign currency exchange rate fluctuations. As of March 31, 2012 , we had $94.4 million in total current assets, including $67.2 million in cash and cash equivalents, and $17.7 million in total current liabilities denominated in foreign currencies, predominantly British Pounds, Euros and Swedish Kronor.

Our international business is subject to risks typical of an international business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign currency exchange rate volatility. Accordingly, our future results could be materially and adversely affected by changes in these or other factors.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934, as amended (“Exchange Act”), Rules 13a-15(e) and 15d-15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

Additionally, our Chief Executive Officer and Chief Financial Officer have determined that there have been no changes to our internal control over financial reporting during the three-month period ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION AND SIGNATURES

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks before you decide to buy shares of our common stock. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties, including those risks set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" below, may also adversely impact and impair our business. If any of the following risks actually occur, our business, results of operations or financial condition would likely suffer. In such case, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our stock.

This report on Form 10-Q contains forward-looking statements based on the current expectations, assumptions, estimates, and projections about us and our industry. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements as a result of certain factors, as more fully described in this section and elsewhere in this report on Form 10-Q. We undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OUR PROFITABILITY MAY NOT REMAIN AT CURRENT LEVELS

We face risks that could prevent us from achieving our current profitability levels in future periods. These risks include, but are not limited to, our ability to:

- adapt our products, services and cost structure to changing macroeconomic conditions;
- maintain and increase our inventory of advertising space on publisher websites, ad exchanges and other sources;
- maintain and increase the number of advertisers that use our products and services;
- continue to expand the number of products and services we offer and the capacity of our systems;
- adapt to changes in Web advertisers' marketing needs and policies, and the technologies used to generate Web advertisements;
- respond to challenges presented by the large and increasing number of competitors in the industry;
- respond to challenges presented by the continuing consolidation within our industry;
- adapt to changes in legislation, taxation or regulation regarding Internet usage, advertising and e-commerce; and
- adapt to changes in technology related to online advertising filtering software.

If we are unsuccessful in addressing these or other risks and uncertainties, our business, results of operations and financial condition could be materially and adversely affected.

OUR REVENUE COULD DECLINE IF WE FAIL TO EFFECTIVELY MANAGE OUR EXISTING ADVERTISING SPACE AND OUR GROWTH COULD BE IMPEDED IF WE FAIL TO ACQUIRE NEW ADVERTISING SPACE.

Our success depends in part on our ability to effectively manage our existing advertising space as well as successfully access advertising space available on ad exchanges and through ad network optimization service providers. The Web publishers that list their unsold advertising space with us are not bound by long-term contracts that ensure us a consistent supply of

advertising space, which we refer to as inventory. In addition, Web publishers can change the amount of inventory they make available to us at any time. If a Web publisher decides not to make advertising space from its websites available to us, we may not be able to replace this advertising space with advertising space from other Web publishers that have comparable traffic patterns and user demographics quickly enough to fulfill our advertisers' requests. This would result in lost revenue.

We expect that our advertiser customers' requirements will become more sophisticated as the Web continues to mature as an advertising medium. If we fail to manage our existing advertising space effectively to meet our advertiser customers' changing requirements, our revenue could decline. Our growth depends, in part, on our ability to expand our advertising inventory within our networks and to have access to new sources of advertising inventory such as ad exchanges. To attract new customers, we must maintain a consistent supply of attractive advertising space. Our success relies in part on expanding our advertising inventory by selectively adding new Web publishers to our networks that offer attractive demographics, innovative and quality content and growing Web user traffic and email volume. Our ability to attract new Web publishers to our networks and to retain Web publishers currently in our networks will depend on various factors, some of which are beyond our control. These factors include, but are not limited to: our ability to introduce new and innovative products and services, our ability to efficiently manage our existing advertising inventory, our pricing policies, and the cost-efficiency to Web publishers and email list owners of outsourcing their advertising sales. In addition, the number of competing intermediaries that purchase advertising inventory from Web publishers continues to increase. We cannot assure you that the size of our advertising inventory will increase or remain constant in the future.

OUR OWNED & OPERATED WEBSITES SEGMENT REVENUE IS SUBJECT TO CUSTOMER CONCENTRATION RISKS. THE LOSS OF ONE OR MORE OF THE MAJOR CUSTOMERS IN OUR OWNED & OPERATED WEBSITES SEGMENT COULD SIGNIFICANTLY AND NEGATIVELY IMPACT THE REVENUE AND PROFITABILITY LEVELS OF THIS SEGMENT.

Our Owned & Operated Websites business generates revenue through a combination of: sponsored search listings placed on our destination websites, merchant relationships, affiliate marketing networks and display advertising. The largest component of revenue in our Owned & Operated Websites segment is generated via sponsored search listings from major search engines. Factors that could cause these relationships to cease or become significantly reduced in scale include, but are not limited to: the non-renewal of our distribution agreement with one or more of the major search engines; the determination by one or more of the major search engines that consumer traffic received from us does not meet their quality standards (in other words, the traffic is not converting at appropriate rates); and changes in the competitive environment, such as industry consolidation. If our relationships with one or more of the major search engines were to cease or become significantly reduced in scale, our revenue and profitability levels could be significantly and negatively impacted.

CHANGES IN HOW WE GENERATE ONLINE CONSUMER TRAFFIC FOR OUR DESTINATION WEBSITES COULD NEGATIVELY IMPACT OUR ABILITY TO MAINTAIN OR GROW THE REVENUE AND PROFITABILITY LEVELS OF OUR OWNED & OPERATED WEBSITES SEGMENT.

We generate online consumer traffic for our destination websites using various methods, including: search engine marketing (SEM), search engine optimization (SEO), organic traffic, email campaigns, and distribution agreements with other website publishers. The current revenue and profitability levels of our Owned & Operated Websites segment are dependent upon our continued ability to use a combination of these methods to generate online consumer traffic to our websites in a cost-efficient manner. Our SEM and SEO techniques have been developed to work with the existing search algorithms utilized by the major search engines. The major search engines frequently modify their search algorithms. Future changes in these search algorithms could change the mix of the methods we use to generate online consumer traffic for our destination websites and could negatively impact our ability to generate such traffic in a cost-efficient manner, which could result in a significant reduction to the revenue and profitability of our Owned & Operated Websites segment. There can be no assurances that we will be able to maintain the current mix of online consumer traffic sources for our destination websites or that we will be able to modify our SEM and SEO techniques to address any future search algorithm changes made by the major search engines. In addition, in the fourth quarter of 2011 we began to decrease the amount of traffic that we drive to our destination websites via paid traffic sources (such and search, email and contextual) as these tend to provide a lower relative margin than our other businesses. This decreased reliance on paid traffic sources may have a significant negative impact on the revenue we generate in our Owned & Operated Websites segment in the next twelve months. However, we do not anticipate these changes will have a significant impact on our overall profitability.

WE MAY FACE INTELLECTUAL PROPERTY ACTIONS THAT ARE COSTLY OR COULD HINDER OR PREVENT OUR ABILITY TO DELIVER OUR PRODUCTS AND SERVICES.

We may be subject to legal actions alleging intellectual property infringement (including patent infringement), unfair

competition or similar claims against us. Companies may apply for or be awarded patents or have other intellectual property rights covering aspects of our technologies or businesses. Defending ourselves against intellectual property infringement or similar claims is expensive and diverts management's attention.

IF THE TECHNOLOGY THAT WE CURRENTLY USE TO TARGET THE DELIVERY OF ONLINE ADVERTISEMENTS AND TO PREVENT FRAUD ON OUR NETWORKS IS RESTRICTED OR BECOMES SUBJECT TO REGULATION, OUR EXPENSES COULD INCREASE AND WE COULD LOSE CUSTOMERS OR ADVERTISING INVENTORY.

Websites typically place small files of non-personalized (or "anonymous") information, commonly known as cookies, on an Internet user's hard drive. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user's browser software. We currently use cookies, along with other technologies, as set forth in our privacy policies, for purposes that include, without limitation, improving the experience Web users have when they see Web advertisements, advertising campaign reporting, website reporting and to monitor and prevent fraudulent activity on our networks. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we expect that we would need to switch to other technologies to gather demographic and behavioral information. While such technologies currently exist, they may be less effective than cookies. We also expect that we would need to develop or acquire other technology to monitor and prevent fraudulent activity on our networks. Replacement of cookies could require reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future. Any litigation or government action against us could be costly and time consuming, could require us to change our business practices and could divert management's attention.

IF WE FAIL TO COMPETE EFFECTIVELY AGAINST OTHER INTERNET ADVERTISING COMPANIES, WE COULD LOSE CUSTOMERS OR ADVERTISING INVENTORY AND OUR REVENUE AND RESULTS OF OPERATIONS COULD DECLINE.

The Internet advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technology or other investments. Our failure to adapt successfully to these changes could harm our business, results of operations and financial condition.

The market for Internet advertising and related products and services is highly competitive. We expect this competition to continue to increase, in part because there are no significant barriers to entry to our industry. Increased competition may result in price reductions for advertising space, reduced margins and loss of market share. Our principal competitors include other companies that provide advertisers with performance-based Internet advertising solutions and companies that offer pay-per-click search services. We compete in the performance-based marketing segment with CPL and CPA performance-based companies, and with other large Internet display advertising networks. In addition, we compete in the online comparison shopping market with focused comparison shopping websites, and with search engines and portals such as Yahoo!, Google and MSN, and with online retailers such as Amazon.com and eBay. Large websites with brand recognition, such as Yahoo!, Google, AOL, Facebook and MSN, have substantial proprietary online advertising inventory that may provide competitive advantages compared to our networks and other inventory sources, and they have the ability to significantly influence pricing for online advertising overall. In some cases, these companies have longer operating histories, greater name recognition and have greater financial, technical, sales, and marketing resources than we have.

Competition for advertising placements among current and future suppliers of Internet navigational and informational services, high-traffic websites and Internet service providers ("ISPs"), as well as competition with other media for advertising placements, could result in significant price competition, declining margins and reductions in advertising revenue. In addition, as we continue our efforts to expand the scope of our Web services, we may compete with a greater number of Web publishers and other media companies across an increasing range of different Web services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, results of operations and financial condition could be negatively affected. We also compete with traditional

advertising media, such as direct mail, television, radio, cable, and print, for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales, and marketing resources. As a result, we may not be able to compete successfully. If we fail to compete successfully, we could lose customers or advertising inventory and our revenue and results of operations could decline.

WE DEPEND ON KEY PERSONNEL, THE LOSS OF WHOM COULD HARM OUR BUSINESS.

Our success depends in part on the retention of personnel critical to our combined business operations due to, for example, unique technical skills, management expertise or key business relationships. We may be unable to retain existing management, finance, engineering, sales, customer support, and operations personnel that are critical to the success of the Company, which may result in disruption of operations, loss of key business relationships, information, expertise or know-how, unanticipated additional recruitment and training costs, and diminished anticipated benefits of acquisitions, including loss of revenue and profitability.

Our future success is substantially dependent on the continued service of our key senior management. Our employment agreements with our key personnel are short-term and on an at-will basis. We do not have key-person insurance on any of our employees. The loss of the services of any member of our senior management team, or of any other key employees, could divert management's time and attention, increase our expenses and adversely affect our ability to conduct our business efficiently. Our future success also depends on our continuing ability to attract, retain and motivate highly skilled employees. We may be unable to retain our key employees or attract, retain and motivate other highly qualified employees in the future. We have experienced difficulty from time to time in attracting or retaining the personnel necessary to support the growth of our business, and may experience similar difficulties in the future.

DELAWARE LAW AND OUR STOCKHOLDER RIGHTS PLAN CONTAIN ANTI-TAKEOVER PROVISIONS THAT COULD DETER TAKEOVER ATTEMPTS THAT COULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Provisions of Delaware law could make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15% or more of our outstanding voting stock from acquiring us, without our board of directors' consent, for at least three years from the date they first hold 15% or more of the voting stock. In addition, our Stockholder Rights Plan has significant anti-takeover effects by causing substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

SYSTEM FAILURES COULD SIGNIFICANTLY DISRUPT OUR OPERATIONS, WHICH COULD CAUSE US TO LOSE CUSTOMERS OR ADVERTISING INVENTORY.

Our success depends on the continuing and uninterrupted performance of our systems. Sustained or repeated system failures that interrupt our ability to provide services to customers, including failures affecting our ability to deliver advertisements quickly and accurately and to process visitors' responses to advertisements, would reduce significantly the attractiveness of our solutions to advertisers and Web publishers. Our business, results of operations and financial condition could also be materially and adversely affected by any systems damage or failure that impacts data integrity or interrupts or delays our operations. Our computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious or accidental human acts, and natural disasters. We lease data center space in various locations in northern and southern California; Virginia; Stockholm, Sweden; and Shanghai, China. Therefore, any of the above factors affecting any of these areas could substantially harm our business. Moreover, despite network security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems in part because we cannot control the maintenance and operation of our third-party data centers. Despite the precautions taken, unanticipated problems affecting our systems could cause interruptions in the delivery of our solutions in the future and our ability to provide a record of past transactions. Our data centers and systems incorporate varying degrees of redundancy. All data centers and systems may not automatically switch over to their redundant counterpart. Our insurance policies may not adequately compensate us for any losses that may occur due to any failures in our systems.

IT MAY BE DIFFICULT TO PREDICT OUR FINANCIAL PERFORMANCE BECAUSE OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE.

Our revenue and operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our results of operations as an indication

of our future performance. Our results of operations have fallen below the expectations of market analysts and our own forecasts in the past and may also do so in some future periods. If this happens, the market price of our common stock may fall significantly. The factors that may affect our quarterly operating results include, but are not limited to, the following:

- macroeconomic conditions in the United States, Europe and Asia;
- fluctuations in demand for our advertising solutions or changes in customer contracts;
- fluctuations in click, lead, action, impression, and conversion rates;
- fluctuations in the amount of available advertising space, or views, on our networks;
- the timing and amount of sales and marketing expenses incurred to attract new advertisers;
- fluctuations in sales of different types of advertising; for example, the amount of advertising sold at higher rates rather than lower rates;
- fluctuations in the cost of online advertising;
- seasonal patterns in Internet advertisers' spending;
- fluctuations in our stock price which may impact the amount of stock-based compensation we are required to record;
- changes in our pricing and publisher compensation policies, the pricing and publisher compensation policies of our competitors, the pricing and publisher compensation policies of our advertiser customers, or the pricing policies for advertising on the Internet generally;
- changes in the regulatory environment, including regulation of advertising on the Internet, that may negatively impact our marketing practices;
- possible impairments of the recorded amounts of goodwill, intangible assets, or other long-lived assets;
- the timing and amount of expenses associated with litigation, regulatory investigations or restructuring activities, including settlement costs and regulatory penalties assessed related to government enforcement actions;
- the adoption of new accounting pronouncements, or new interpretations of existing accounting pronouncements, that impact the manner in which we account for, measure or disclose our results of operations, financial position or other financial measures;
- the loss of, or a significant reduction in business from, large customers resulting from, among other factors, the exercise of a cancellation clause within a contract, the non-renewal of a contract or an advertising insertion order, or shifting business to a competitor when the lack of an exclusivity clause exists;
- fluctuations in levels of professional services fees or the incurrence of non-recurring costs;
- deterioration in the credit quality of our accounts receivable and an increase in the related provision;
- changes in tax laws or our interpretation of tax laws, changes in our effective income tax rate or the settlement of certain tax positions with tax authorities as a result of a tax audit; and
- costs related to acquisitions of technologies or businesses.

Expenditures by advertisers also tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. Any decline in the economic prospects of advertisers or the economy generally may alter advertisers' current or prospective spending priorities, or may increase the time it takes us to close sales with advertisers, and could materially and adversely affect our business, results of operations, cash flows and financial condition.

OUR EXPANDING INTERNATIONAL OPERATIONS SUBJECT US TO ADDITIONAL RISKS AND UNCERTAINTIES AND WE MAY NOT BE SUCCESSFUL WITH OUR STRATEGY TO CONTINUE TO EXPAND SUCH OPERATIONS.

We initiated operations, through wholly-owned subsidiaries or divisions, in the United Kingdom in 1999, France and Germany in 2000, Sweden in 2004, Japan and China in 2007, Spain and Ireland in 2008, and Korea, South Africa and Canada in 2010. Our international expansion and the integration of international operations present unique challenges and risks to our company, and require management attention. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services to one or more countries or expose us or our employees to fines and penalties. These laws and regulations include, but are not limited to, content requirements, tax laws, data privacy and filtering requirements, U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials, such as the U.K. Bribery Act. Violations of these laws and regulations could result in monetary damages, criminal sanctions against us, our officers, or our employees, and prohibitions on the conduct of our business. Our continued international expansion also subjects us to additional foreign currency exchange rate risks and will require additional management attention and resources. We cannot assure you that we will be successful in our international expansion. Our international operations and expansion subject us to other inherent risks, including, but not limited to:

- the impact of recessions in economies outside of the United States;
- changes in and differences between regulatory requirements between countries;
- U.S. and foreign export restrictions, including export controls relating to encryption technologies;
- reduced protection for and enforcement of intellectual property rights in some countries;
- potentially adverse tax consequences;
- difficulties and costs of staffing and managing foreign operations;
- political and economic instability;
- tariffs and other trade barriers; and
- seasonal reductions in business activity.

Our failure to address these risks adequately could materially and adversely affect our business, revenue, results of operations, cash flows and financial condition.

WE MAY NOT BE ABLE TO PROTECT OUR INTELLECTUAL PROPERTY FROM UNAUTHORIZED USE, WHICH COULD DIMINISH THE VALUE OF OUR PRODUCTS AND SERVICES, WEAKEN OUR COMPETITIVE POSITION AND REDUCE OUR REVENUE.

Our success depends in large part on our proprietary technologies, including tracking management software, our affiliate marketing technologies, our display advertising technologies, our technology, including SEM technology that runs our owned and operated websites, and our MOJO platform. In addition, we believe that our trademarks are key to identifying and differentiating our products and services from those of our competitors. We may be required to spend significant resources to monitor and police our intellectual property rights. If we fail to successfully enforce our intellectual property rights, the value of our products and services could be diminished and our competitive position may suffer.

We rely on a combination of copyright, trademark and trade secret laws, confidentiality procedures and licensing arrangements to establish and protect our proprietary rights. Third-party software providers could copy or otherwise obtain and use our technologies without authorization or develop similar technologies independently, which may infringe upon our proprietary rights. We may not be able to detect infringement and may lose competitive position in the market before we do so. In addition, competitors may design around our technologies or develop competing technologies. Intellectual property protection may also be unavailable or limited in some foreign countries.

We generally enter into confidentiality or license agreements with our employees, consultants, vendors, customers, and corporate partners, and generally control access to and distribution of our technologies, documentation and other

proprietary information. Despite these efforts, unauthorized parties may attempt to disclose, obtain or use our products and services or technologies. Our precautions may not prevent misappropriation of our products, services or technologies, particularly in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States.

GOVERNMENT ENFORCEMENT ACTIONS, CHANGES IN GOVERNMENT REGULATION, TECHNICAL PROPOSALS AND INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, SPYWARE, PRIVACY AND EMAIL MATTERS, COULD DECREASE DEMAND FOR OUR PRODUCTS AND SERVICES AND INCREASE OUR COSTS OF DOING BUSINESS.

Laws and regulations that apply to Internet communications, commerce and advertising are becoming more prevalent. These regulations could affect the costs of communicating on the Web and could adversely affect the demand for our advertising solutions or otherwise harm our business, results of operations and financial condition. The United States Congress has enacted Internet legislation regarding children's privacy, copyrights, sending of commercial email (e.g., the Federal CAN-SPAM Act of 2003), and taxation. The United States Congress has passed legislation regarding spyware (i.e., H.R. 964, the "Spy Act of 2007") and the New York Attorney General's office has also pursued enforcement actions against companies in this industry. In addition, on December 1, 2010, the FTC issued its long-awaited staff report criticizing industry self-regulatory efforts as too slow and lacking adequate protections for consumers and emphasizing a need for simplified notice, choice and transparency to the consumer of the collection, use and sharing of their data. The FTC suggests various methods and measures, including an implementation of a "Do Not Track" mechanism - likely a persistent setting on consumers' browsers-that consumers can choose whether to allow the tracking of their online searching and browsing activities. As a result of the report, some of the browser makers have been working on their own do-not-track technical solutions, notably Microsoft Internet Explorer, Mozilla Firefox, Apple Safari and Google Chrome. Microsoft's Internet Explorer 9 offers a tracking protection feature that doesn't allow for tracking by allowing Internet users to download tracking protection block lists which consequently block any third-party domain included in such block lists from serving content. This content-blocking feature, depending on the adoption by Internet users, may adversely affect our ability to grow our company, maintain our current revenues and profitability, serve and monetize content and utilize our behavioral targeting platform. Legislatively on the federal level, there have been a number of House bills that have been introduced addressing online privacy, including Congressman Bobby Rush's Best Practices Act - H.R. 611, Congressman Cliff Stearns' Consumer Privacy Protection Act of 2011, and Congresswoman Jackie Speier's Do Not Track Me Online Act of 2011 - H.R. 654. In the Senate, Senators John Kerry and John McCain have introduced bipartisan privacy legislation (the Commercial Privacy Bill of Rights Act of 2011) that is designed to establish a regulatory framework for the comprehensive protection of personal data for individuals under the aegis of the Federal Trade Commission and for other purposes, including requiring that information that is used for online behavioral advertising that is not “sensitive personally identifiable information” be subject to clear, concise and timely notice and opt-out. On the state level, California has introduced a “Do Not Track Bill” - S.B. 761 that legislates the collection and use of information transmitted online. There are others within the House and the Senate and possibly other states that are looking to introduce bills regarding the privacy of online and offline data. These bills, if passed, could hinder growth in the use of the Web generally and adversely affect our business. Other laws and regulations have been adopted and may be adopted in the future, and may address issues such as user privacy, spyware, "do not email" lists, pricing, intellectual property ownership and infringement, copyright, trademark, trade secret, export of encryption technology, acceptable content, search terms, lead generation, behavioral targeting, taxation, and quality of products and services. Such measures could decrease the acceptance of the Web as a communications, commercial and advertising medium. We have policies to prohibit abusive Internet behavior, including prohibiting the use of spam and spyware by our Web publisher partners.

WE COULD BE SUBJECT TO LEGAL CLAIMS, GOVERNMENT ENFORCEMENT ACTIONS AND DAMAGE TO OUR REPUTATION AND HELD LIABLE FOR OUR OR OUR CUSTOMERS' FAILURE TO COMPLY WITH FEDERAL, STATE AND FOREIGN LAWS, REGULATIONS OR POLICIES GOVERNING CONSUMER PRIVACY, WHICH COULD MATERIALLY HARM OUR BUSINESS.

Recent growing public concern regarding privacy and the collection, distribution and use of information about Internet users has led to increased federal, state and foreign scrutiny and legislative and regulatory activity concerning data collection and use practices. The United States Congress and the State of California currently have pending legislation regarding privacy and data security measures, as detailed in the above previous paragraph. Any failure by us to comply with applicable federal, state and foreign laws and the requirements of regulatory authorities may result in, among other things, indemnification liability to our customers and the advertising agencies we work with, administrative enforcement actions and fines, class action lawsuits, cease and desist orders, and civil and criminal liability. Recently, class action lawsuits have been filed alleging violations of privacy laws by ISPs. The European Union's directive addressing data privacy limits our ability to collect and use information regarding Internet users. These restrictions may limit our ability to target advertising in most European countries. Our failure to comply with these or other federal, state or foreign laws could result in liability and materially harm our business.

In addition to government activity, privacy advocacy groups and the technology and direct marketing industries are considering various new, additional or different self-regulatory standards. This focus, and any legislation, regulations or standards promulgated, may impact us adversely. Governments, trade associations and industry self-regulatory groups may enact more burdensome laws, regulations and guidelines, including consumer privacy laws, affecting our customers and us. Since many of the proposed laws or regulations are just being developed, and a consensus on privacy and data usage has not been reached, we cannot yet determine the impact these proposed laws or regulations may have on our business. However, if the gathering of profiling information were to be curtailed, Internet advertising would be less effective, which would reduce demand for Internet advertising and harm our business.

Third parties may bring class action lawsuits against us relating to online privacy and data collection. We disclose our information collection and dissemination policies, and we may be subject to claims if we act or are perceived to act inconsistently with these published policies. Any claims or inquiries could be costly and divert management's attention, and the outcome of such claims could harm our reputation and our business.

Our customers are also subject to various federal and state laws concerning the collection and use of information regarding individuals. These laws include the Children's Online Privacy Protection Act, the Federal Drivers Privacy Protection Act of 1994, the privacy provisions of the Gramm-Leach-Bliley Act, the Federal CAN-SPAM Act of 2003, as well as other laws that govern the collection and use of consumer credit information. We cannot assure you that our customers are currently in compliance, or will remain in compliance, with these laws and their own privacy policies. We may be held liable if our customers use our technologies in a manner that is not in compliance with these laws or their own stated privacy policies.

OUR STOCK PRICE IS LIKELY TO BE VOLATILE AND COULD DROP UNEXPECTEDLY.

Our common stock has been publicly traded since March 30, 2000. The market price of our common stock has been subject to significant fluctuations since the date of our initial public offering. The stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices of securities, particularly securities of technology companies. As a result, the market price of our common stock may materially decline, regardless of our operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. We were involved in this type of litigation, which arose shortly after our stock price dropped significantly during the third quarter of 2007. Litigation of this type is often expensive and diverts management's attention and resources.

SEVERAL STATES HAVE IMPLEMENTED OR PROPOSED REGULATIONS THAT IMPOSE SALES TAX ON CERTAIN E-COMMERCE TRANSACTIONS INVOLVING THE USE OF AFFILIATE MARKETING PROGRAMS.

In 2008, the state of New York implemented regulations that require advertisers to collect and remit sales taxes on sales made to residents of New York if the affiliate/publisher that facilitated that sale is a New York-based entity. In early 2011 and mid-2011, the states of Illinois and California, respectively, also passed similar regulations. In addition, several other states have proposed similar regulations, although many of the regulations proposed by these other states have not passed. The New York and Illinois sales tax requirements have not had a material impact on our Affiliate Marketing segment results of operations. The California regulation was subsequently delayed until September 15, 2012 (if a federal law authorizing states to require retailers to collect taxes, regardless of the location of the retailer, is not enacted on or before July 31, 2012), but was in effect for the majority of the quarter ended September 30, 2011. During such time, we estimate that the California regulation had a negative impact of approximately 2% on the revenue generated by our Affiliate Marketing segment. We are unable to determine the impact if additional states adopt similar requirements.

IF OUR NOTE RECEIVABLE BECOMES UNCOLLECTIBLE, WE WOULD BE REQUIRED TO RECORD A SIGNIFICANT CHARGE TO EARNINGS.

We sold our Web Clients business on February 1, 2010 in exchange for a note receivable with a fair market value of $32.8 million. The carrying amount of the note receivable at March 31, 2012 is $30.8 million . If this note receivable were to become uncollectible, we would be required to take a charge against earnings for the amount of the note that becomes uncollectible. This may have an adverse impact on our results of operations.

WE MAY BE REQUIRED TO RECORD A SIGNIFICANT CHARGE TO EARNINGS IF OUR GOODWILL OR AMORTIZABLE INTANGIBLE ASSETS BECOME IMPAIRED.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, we recorded an impairment charge as of December 31, 2008 related to our goodwill and amortizable intangible assets totaling $269.5 million.

As of March 31, 2012 , we hav e $435.2 million and $105.4 million of goodwill and amortizable intangible assets, respectively.

We perform our annual impairment analysis of goodwill as of December 31 of each year, or sooner if we determine there are indicators of impairment, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under GAAP, the impairment analysis of goodwill must be based on estimated fair values. The determination of fair values requires assumptions and estimates of many critical factors, including, but not limited to: expected operating results; macroeconomic conditions; our stock price; earnings multiples implied in acquisitions in the online marketing industry; industry analyst expectations; and the discount rates used in the discounted cash flow analysis. We are required to perform our next goodwill impairment analysis at December 31, 2012. If our business performance deteriorates due to macroeconomic conditions or company-specific issues, or our stock price experiences significant declines, we may be required to record additional impairment charges in the future.

We are also required under GAAP to review our amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of such assets may not be recoverable. We may be required to record a significant charge to earnings in a period in which any impairment of our goodwill or amortizable intangible assets is determined.

WE MAY INCUR LIABILITIES TO TAX AUTHORITIES IN EXCESS OF AMOUNTS THAT HAVE BEEN ACCRUED WHICH MAY ADVERSELY IMPACT OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

As more fully described in Note 11 to our condensed consolidated financial statements, we have recorded significant income tax liabilities. The preparation of our condensed consolidated financial statements requires estimates of the amount of income tax that will become payable in each of the jurisdictions in which we operate, as well as in jurisdictions that we don't operate but may have tax nexus given the complexities associated with various state tax regulations. We may be challenged by the taxing authorities in these various jurisdictions and, in the event that we are not able to successfully defend our position, we may incur significant additional income tax liabilities and related interest and penalties which may have an adverse impact on our results of operations and financial condition.

IF WE FAIL TO MAINTAIN AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS, WE MAY NOT BE ABLE TO ACCURATELY REPORT OUR FINANCIAL RESULTS OR PREVENT FRAUD AND OUR BUSINESS MAY BE HARMED AND OUR STOCK PRICE MAY BE ADVERSELY IMPACTED.

Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management to evaluate and assess the effectiveness of our internal control over financial reporting. We determined that our internal control over financial reporting was effective as of December 31, 2011 . In order to continue to comply with the requirements of the Sarbanes-Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, we could be subject to litigation or regulatory scrutiny and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that in the future we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management will conclude that our internal control over financial reporting is effective. If we fail to fully comply with the requirements of the Sarbanes-Oxley Act, our business may be harmed and our stock price may decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 8, 2012
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 8, 2012
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. § 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 8, 2012
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALUECLICK, INC. (Registrant)

By: /s/ JOHN PITSTICK

John Pitstick
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: May 8, 2012

Exhibit 31.1

Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Zarley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ValueClick, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2012

By: /s/ JAMES R. ZARLEY
James R. Zarley
Chief Executive Officer

Exhibit 31.2

Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, John Pitstick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ValueClick, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2012

By: /s/ JOHN PITSTICK
John Pitstick
Chief Financial Officer

Exhibit 32.1

Certification pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C § 1350)

In connection with the quarterly report on Form 10-Q of ValueClick, Inc. (the "Company") for the period ended March 31, 2012 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James R. Zarley, as Chief Executive Officer of the Company, and John Pitstick, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2012

/s/ JAMES R. ZARLEY
James R. Zarley
Chief Executive Officer

Dated: May 8, 2012

/s/ JOHN PITSTICK
John Pitstick
Chief Financial Officer