

interclick, inc.
Form 10-K
March 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2010
or

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

For the transition period from: _____ to _____

Commission file number: 001-34523

interclick, inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

01-0692341
(I.R.S. Employer
Identification No.)

11 West 19th Street
10th Floor
New York, NY 10011
(Address of Principal Executive Office) (Zip Code)

(646) 722-6260
(Registrant's telephone number, including area code)

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

Title of each class
Common Stock, par value \$0.001

Name of each exchange on which registered
The NASDAQ Capital Market

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. .. Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes .. No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$71,293,715.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 24,108,943 shares were outstanding as of March 11, 2011.

INDEX

PART I

<u>Item 1. Business.</u>	3
<u>Item 1A. Risk Factors.</u>	5
<u>Item 1B. Unresolved Staff Comments.</u>	5
<u>Item 2. Properties.</u>	5
<u>Item 3. Legal Proceedings.</u>	5
<u>Item 4. (Removed and Reserved).</u>	6

PART II

<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	6
<u>Item 6. Selected Financial Data.</u>	7
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	8
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk.</u>	25
<u>Item 8. Financial Statements and Supplementary Data.</u>	25
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	25
<u>Item 9A. Controls and Procedures.</u>	26
<u>Item 9B. Other Information.</u>	27

PART III

<u>Item 10. Directors, Executive Officers and Corporate Governance.</u>	27
<u>Item 11. Executive Compensation.</u>	32
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	37
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence.</u>	39
<u>Item 14. Principal Accountant Fees and Services.</u>	39

PART IV

<u>Item 15. Exhibits, Financial Statement Schedules.</u>	40
--	----

Index

PART I

Item 1. Business.

Company Overview

interclick, inc. (“interclick” or the “Company”) is a technology company providing solutions for data-driven advertising. Combining scalable media execution capabilities with analytical expertise, interclick delivers exceptional results for marketers. The Company’s proprietary Open Segment Manager (OSM) platform organizes and values billions of data points daily to construct the most responsive digital audiences for major digital marketers. We generate our revenue by serving as a principal in transacting online advertising (namely display, video and rich media formats) between agency clients and third party website publishers. Substantially all of the Company’s revenues are generated in the United States.

Corporate History and Acquisitions

We were formed in Delaware on March 4, 2002 under the name Outsiders Entertainment, Inc. On August 28, 2007, we completed a merger and acquired Customer Acquisition Network, Inc. In connection with the merger, we changed our name to Customer Acquisition Network Holdings, Inc. Three days later, on August 31, 2007, we acquired Desktop Interactive, Inc. (“Desktop”). On June 25, 2008, we changed our name to interCLICK, Inc. In September 2010, we changed our name to interclick, inc.

On January 4, 2008, we acquired Options Newsletter, Inc., a privately-held Delaware corporation primarily engaged in the email service provider business. On June 23, 2008, we sold the Options Newsletter business to Options Media Group Holdings, Inc. (“OPMG”).

Industry Overview

According to eMarketer, U.S. spending on display, video and rich media online advertising formats is projected to grow collectively faster than the online advertising market overall through 2014. For the period from 2009 to 2014, eMarketer expects U.S. spending on display, video and rich media online advertising formats to grow collectively at a 16% compound annual growth rate, as compared to an expected 12% compound annual growth rate for the online advertising market overall. As advertisers continue to place a higher value on clear return on investments, or ROIs, we expect market share gains will accrue to those companies with the most advanced audience targeting, campaign fulfillment and analytical capabilities.

Seasonality

Our business is subject to seasonal fluctuations. The fourth quarter of the calendar year, during the holiday season, is our strongest with respect to revenues. While we are a relatively young company, our experience to date and our management’s knowledge of the advertising industry indicates that the first calendar quarter is our slowest quarter.

Customers

Digital marketers, through our agency customers are shifting more of their marketing budgets from traditional media channels such as direct mail, television, radio and newspapers to interactive mediums because of increasing usage of the Internet and mobile devices by their potential customers. We focus on providing services to our clients in a way that protects and enhances their brands and their relationships with prospective customers. In order to provide

opportunities for advertisers, we buy display advertising impressions from publishers or companies that manage website inventory and seek to monetize the websites through the sale of advertising. In 2010, we derived more than 10% of our revenues from one agency customer. In 2009, we derived more than 14% of our revenues from the same customer. We deliver advertising campaigns for a wide variety of advertisers with no overwhelming concentration on any specific industry vertical. As such, our existing advertiser base includes numerous industries including, but not limited to, automotive, communications and media, consumer packaged goods, electronics, finance and insurance, health, retail and travel.

Index

Sales and Marketing

We sell and market our solutions through our sales team of approximately two dozen experienced sales persons as of March 2011. We carefully select industry-veteran sales representatives and managers adept at articulating our technically-driven, value-oriented solutions. We currently have sales persons based in New York, Chicago, San Francisco, Los Angeles, Atlanta, and Boston.

In September 2010, we launched a new branding campaign and various marketing initiatives in an effort to promote interclick to prospective clients throughout the Internet marketing community.

Competition

We face intense competition in the Internet advertising market from other online advertising networks, demand side platforms, and other direct marketing and technology solution providers for a share of client advertising budgets. We expect that this competition will continue to intensify in the future as a result of industry consolidation, the pace of technological innovation in the industry, and low barriers to entry. Additionally, we compete for advertising budgets with traditional media including television, radio, newspapers and magazines. Furthermore, many of the advertising, media, and Internet companies possess greater resources and are more adequately capitalized than we are. We compete for business on the basis of a number of factors including the ability to meet the performance needs of our clients, ROI, price, agency customer relationships, ability to deliver large volumes or precise types of targeted audiences.

Our ability to compete depends upon several factors, including the following:

- the timing and market acceptance of our new solutions and enhancements to existing solutions developed by us;
- continuing our relationships with top quality publisher websites;
- our customer service and support efforts;
- our sales and marketing efforts; and
- our ability to add value to our clients and remain price competitive.

Regulation

Federal Trade Commission (the “FTC”) has issued informal guidance about companies like us that engage in audience targeting. The report proposes a framework to balance the privacy interests of consumers with innovation that relies on consumer information to develop beneficial new products and services, and to suggest the implementation of a “Do Not Track” mechanism so consumers can choose whether to allow the collection of data regarding their online searching and browsing activities. Our management viewed this FTC report as being favorable and believes its business model will not be adversely affected from self-regulation. Many states also have adopted similar laws that include the power to seek injunctions, triple damages and attorneys’ fees.

Employees

As of March 11, 2011, interclick had a total of 118 employees, of which 117 were full-time employees. None of these employees is represented by a labor union. Management believes that our relations with our employees are good. At December 31, 2010, we had a total of 111 employees, of which 110 were full-time employees.

Intellectual Property

We currently rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We enter into proprietary information and confidentiality agreements with our employees, consultants and commercial partners and control access to, and distribution of, our software documentation and other proprietary information.

Index

Headed by our Chief Technology Officer, we employ a team of approximately 30 experienced technology specialists in our South Florida office. Our technology and product management teams have developed a new state-of-the-art technology platform called Open Segment Manager or OSM, that we believe is the first data enrichment solution designed to help advertisers and agencies operationalize data effectively—to discover which facts drive optimal campaign performance, create more valuable audiences from those facts, and connect to those audiences at unprecedented scale. OSM is an enhancement to our current technology platform which is a leading solution providing advanced behavioral targeting and transparency.

Since its launch in May 2010, OSM has proven it can produce consistent, scalable and portable results, even allowing us to successfully outperform vertical and niche solutions in their respective markets. As our financial results are directly attributable to our ability to provide sustained campaign performance for our advertisers, we view this as the ultimate validation of OSM and the technology behind it.

Item 1A. Risk Factors.

Not applicable to smaller reporting companies. See Item 7 for the principal risk factors facing interclick.

Item 1B. Unresolved Staff Comments.

Not applicable to smaller reporting companies.

Item 2. Properties.

Our principal executive offices are located in a leased facility in New York, New York, consisting of approximately 17,000 square feet of office space under a lease that expires in December 2017. This facility accommodates our principal sales, marketing, operations, finance and administrative activities. Our technology offices are located in Boca Raton, Florida, consisting of approximately 8,000 square feet of office space under a lease that expires in February 2015. We also lease sales offices in Chicago, Illinois (1,269 square feet), San Francisco, California (1,324 square feet), and Los Angeles, California (1,000 square feet). Except for our current executive offices, we believe that our current facilities are sufficient for our current and short-term needs. We may add new facilities and expand our existing facilities as we add employees and expand our markets, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations.

Item 3. Legal Proceedings.

From time-to-time, we may become involved in legal proceedings and claims arising in the ordinary course of our business. Except as set forth below, we are not currently a party to any material litigation. On or about December 8, 2010, Sonal Bose commenced an action in the United States District Court for the Southern District of New York (Sonal Bose v. Interclick, Inc., Case No. 10 Civ. 9183-DAB (S.D.N.Y.)) alleging that interclick engaged in certain activities that plaintiff claims violate electronic privacy and computer use laws. The plaintiff asserts federal and state law claims, and seeks compensatory, statutory, and punitive damages, restitution, and reimbursement of expenses and attorneys' fees. The plaintiff also seeks injunctive and declaratory relief and class action certification.

On or about December 23, 2010, Sonal Bose commenced a related action in the United States District Court for the Southern District of New York against McDonald's Corporation, CBS Corporation, Mazda Motor of America, Inc., and Microsoft Corporation (Sonal Bose v. McDonald's Corporation; CBS Corporation; Mazda Motor of America, Inc.; and Microsoft Corporation, Case No. 10 Civ. 9569-DAB (S.D.N.Y.)) alleging that the actions of interclick caused the defendants to violate various laws and seeking class action certification. We are not a party to this action but are providing for the defense of the case at our expense based upon indemnification obligations in our standard agency

agreements. The complaint asserts the same claims as are alleged in the complaint against us, together with a cause of action for tortious interference, and seeks similar relief.

Index

On February 28, 2011, motions to dismiss each of the foregoing cases were filed, which are pending. As noted in the motions to dismiss, interclick believes the cases are entirely without merit and interclick intends to vigorously defend its prior practices and technology.

Item 4. (Removed and Reserved).

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Since November 5, 2009, our common stock has been listed on the NASDAQ Capital Market under the symbol "ICLK". Prior to being listed, our common stock was quoted on the Over-the-Counter Bulletin Board.

The last reported sale price of our common stock as reported by NASDAQ on March 11, 2011 was \$5.97. As of that date, there were 25 record holders. We believe an additional number of shareholders own our stock through brokerage accounts.

The following table provides the high and low bid price information for our common stock for the periods our stock was quoted on the Bulletin Board and the high and low sales prices for the periods our stock has been listed on NASDAQ. For the period our stock was quoted on the Bulletin Board, the prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year	Quarter Ended	Prices (1)	
		High	Low
2009	March 31	\$ 2.10	\$ 1.10
	June 30	\$ 2.70	\$ 1.20
	September 30	\$ 4.50	\$ 2.20
	December 31	\$ 6.00	\$ 4.00
2010	March 31	\$ 5.82	\$ 3.40
	June 30	\$ 4.85	\$ 3.46
	September 30	\$ 4.41	\$ 3.25
	December 31	\$ 6.48	\$ 3.97

(1) On October 23, 2009, we completed a 1-for-2 reverse stock split. All prices in the table have been adjusted for the reverse split.

Dividend Policy

We have not paid cash dividends on our common stock and do not plan to pay such dividends in the foreseeable future. Our Board of Directors will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, and general business conditions.

Index

Recent Sales of Unregistered Securities

In addition to those unregistered securities previously disclosed in reports filed with the Securities and Exchange Commission (“SEC”), we have sold securities without registration under the Securities Act of 1933 (the “Securities Act”) in reliance upon the exemption provided in Section 4(2) and Rule 506 thereunder as described below.

Name	Date Sold	No of Securities	Reason for Issuance
Seacliff Consulting, LLC	10/29/10	22,500	(1) Warrant exercise
GVA Research LLC	11/2/10	1,190	(2) Warrant exercise
Alpha Capital Anstalt	11/10/10	76,375	(3) Warrant exercise
Seacliff Consulting, LLC	11/19/10	22,275	(4) Warrant exercise
Phillip Frost	11/3/10	37,500	(5) Option exercise

(1) Cashless warrant exercise resulting in 4,801 net shares issued.

(2) Cashless warrant exercise resulting in 585 net shares issued.

(3) Cashless warrant exercise resulting in 40,154 net shares issued.

(4) Cashless warrant exercise resulting in 6,348 net shares issued.

(5) Total of 120,000 options issued outside of the 2007 Award Plan on 7/10/09 with an exercise price of \$2.48.

Equity Compensation Plan Information

The following table sets forth the aggregate information of our equity compensation plans in effect as of December 31, 2010:

	Aggregate Number of Securities Underlying Options Granted	Weighted Average Exercise Price Per Share	Aggregate Number of Securities Available for Grant
Equity compensation plans approved by security holders (1) (2)(3)	5,397,292	\$2.92	1,221,983
Equity compensation plans not approved by security holders			
Total	5,397,292		