



February 9, 2016

## QuinStreet Reports Financial Results for Second Quarter Fiscal Year 2016

FOSTER CITY, Calif., Feb. 09, 2016 (GLOBE NEWSWIRE) -- QuinStreet, Inc. (Nasdaq:QNST), a leader in online performance marketing services and technologies, today announced financial results for the second quarter ended December 31, 2015.

For the second quarter, the Company reported total revenue of \$65.0 million, adjusted EBITDA of \$0.2 million, and GAAP net loss of \$6.1 million, or (\$0.13) per share. Adjusted net loss for the second quarter was \$1.5 million, or (\$0.03) per share.

The Company closed the second quarter with \$50.8 million in cash and \$35.8 million in net cash.

"We continued to make good progress with new products, markets and media during the quarter," commented Doug Valenti, QuinStreet CEO. "Education revenue was down in fiscal Q2 due to an exit from the channel by a large U.S. for-profit education client. Without that change, Company revenue would have been up 3% year-over-year."

In a separate release, the Company announced a partnership to be the exclusive provider of click product technology and management for All Web Leads ("AWL"), the largest online customer acquisition marketing company focused on the U.S. insurance industry and recent acquirer of the Bankrate Insurance customer acquisition business. QuinStreet made a one-time exclusivity payment of \$10 million to AWL during the second quarter as a term of the 10-year agreement.

"Our partnership with AWL is expected to significantly increase revenue in our already fast-growing Insurance client vertical. Revenue from our Financial Services client vertical overall is expected to approach 60% of Company revenue in the second half of the fiscal year. Revenue from for-profit Education clients is expected to decline to less than 20% of Company revenue in the same period.

"We expect revenue to grow in the March and June quarters, our fiscal Q3 and Q4, at a double-digit annual rate, and to result in expansion of adjusted EBITDA margin through top-line leverage. We also expect revenue to grow by approximately 10% in fiscal 2016 over 2015," concluded Valenti.

Reconciliations of adjusted net loss and adjusted EBITDA to GAAP net loss are included in the accompanying tables.

### **Conference Call Today at 1:30 p.m. PT**

QuinStreet will host a conference call and corresponding live webcast at 1:30 p.m. PT today. To access the conference call, dial (888) 299.7209 for the U.S. and Canada or +1 (719) 325.2435 for international callers. The webcast will be available live on the investor relations section of the Company's website at <http://investor.quinstreet.com> and via replay beginning approximately two hours after the completion of the call until the Company's announcement of its financial results for the next quarter. An audio replay of the call will also be available to investors beginning at approximately 5:00 p.m. PT on February 9, 2016 by dialing (888) 203.1112 in the U.S. and Canada or +1 (719) 457.0820 for international callers, using passcode 918969#. This press release and the financial tables are also available on the investor relations section of the Company's website at <http://investor.quinstreet.com>.

### **Non-GAAP Financial Measures**

This release and the accompanying tables include a discussion of adjusted EBITDA, adjusted net (loss) income and adjusted diluted net (loss) income per share, all of which are non-GAAP financial measures that are provided as a complement to results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The term "adjusted EBITDA" refers to a financial measure that we define as net loss less provision for taxes, depreciation expense, amortization expense, stock-based compensation expense, interest and other (expense) income, net, impairment of goodwill, and restructuring. The term "adjusted net (loss) income" refers to a financial measure that we define as net loss adjusted for amortization expense, stock-based compensation expense, restructuring expense, impairment of goodwill and tax valuation allowance, and debt restructuring costs, net of estimated taxes. The term "adjusted diluted net (loss) income per share" refers to a financial measure that we define as adjusted net (loss) income divided by weighted average diluted shares outstanding. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. In addition, our definition of adjusted EBITDA, adjusted net (loss) income and adjusted diluted net (loss) income per share may not be comparable to the definitions as reported by other companies.

We believe adjusted EBITDA, adjusted net (loss) income and adjusted diluted net (loss) income per share are relevant and useful information because they provide us and investors with additional measurements to analyze the Company's operating performance.

Adjusted EBITDA is part of our internal management reporting and planning process and one of the primary measures used by our management to evaluate the operating performance of our business, as well as potential acquisitions. Adjusted EBITDA is useful to us and investors because it provides information related to the Company's ability to provide cash flow for acquisitions, capital expenditures and working capital requirements. Internally, adjusted EBITDA is used by management for planning purposes, including preparation of internal budgets; to allocate resources; to evaluate the effectiveness of operational strategies; and to evaluate the Company's capacity to fund acquisitions and capital expenditures as well as the capacity to service debt. Adjusted EBITDA is used as a key financial metric in senior management's annual incentive compensation program. The Company believes that analysts and investors use adjusted EBITDA as a supplemental measurement to evaluate the overall operating performance of companies in its industry and use adjusted EBITDA multiples as a metric for analyzing company valuations. It is also an element of certain maintenance covenants under our debt agreements.

Adjusted net (loss) income and adjusted diluted net (loss) income per share are useful to us and investors because they present an additional measurement of our financial performance, taking into account depreciation, which we believe is an ongoing cost of doing business, but excluding the impact of certain non-cash expenses (stock-based compensation, amortization of intangible assets, impairment of goodwill and tax valuation allowance) and other non-recurring charges. The Company believes that analysts and investors use adjusted net (loss) income and adjusted diluted net (loss) income per share as supplemental measures to evaluate the overall operating performance of companies in our industry.

We intend to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP measures to GAAP is provided in the accompanying tables.

### **Legal Notice Regarding Forward Looking Statements**

This press release and its attachments contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties. Words such as "estimate", "will", "believe", "intend", "potential" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include the statements in quotations from management in this press release, as well as any statements regarding the Company's anticipated financial results, growth and strategic and operational plans and results of analyses on impairment charges. The Company's actual results may differ materially from those anticipated in these forward-looking statements. Factors that may contribute to such differences include, but are not limited to: the impact of changes in industry standards and government regulation including but not limited to investigation and enforcement activities of the Department of Education and the Federal Trade Commission; the Company's ability to maintain and increase client marketing spend; the Company's ability to maintain and increase the number of visitors to its websites and to convert those visitors and those to its third-party publishers' websites into client prospects in a cost-effective manner; the impact of the current economic climate on the Company's business; the Company's ability to access and monetize Internet users on mobile devices; the Company's ability to attract and retain qualified executives and employees; the Company's ability to compete effectively against others in the online marketing and media industry both for client budget and access to third-party media; the Company's ability to identify and manage acquisitions; and the impact and costs of any alleged failure by the Company to comply with government regulations and industry standards. More information about potential factors that could affect the Company's business and financial results is contained in the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission ("SEC"). Additional information will also be set forth in the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2015, which will be filed with the SEC. The Company does not intend and undertakes no duty to release publicly any updates or revisions to any forward-looking statements contained herein.

### **About QuinStreet**

QuinStreet, Inc. (Nasdaq:QNST) is one of the largest Internet performance marketing and media companies in the world. QuinStreet is committed to providing consumers and businesses with the information they need to research, find and select the products, services and brands that meet their needs. For more information, please visit [www.QuinStreet.com](http://www.QuinStreet.com).

### **About All Web Leads**

AWL, and its brands All Web Leads ([www.allwebleads.com](http://www.allwebleads.com)) and insuranceQuotes ([www.insuranceQuotes.com](http://www.insuranceQuotes.com)), is the premier customer acquisition marketing company focused on the U.S. insurance industry, serving over 30,000 insurance carriers and local agents. The company delivers real-time, targeted, high-quality consumers to top insurance producers.

AWL's technology-driven approach to online marketing helps bring together agents with qualified customers who are actively searching online for insurance products. The company's award-winning insurance leads, calls and clicks programs lead the industry in conversion, qualification and volume according to recent surveys. The company is headquartered in Austin, TX.

**QUINSTREET, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,750	\$ 60,468
Accounts receivable, net	40,544	46,240
Deferred tax assets	173	166
Prepaid expenses and other assets	6,671	11,503
Total current assets	<u>98,138</u>	<u>118,377</u>
Property and equipment, net	8,678	8,565
Goodwill	56,118	56,118
Other intangible assets, net	14,357	19,030
Other assets, noncurrent	11,840	3,063
Total assets	<u>\$ 189,131</u>	<u>\$ 205,153</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 17,460	\$ 20,425
Accrued liabilities	23,249	27,146
Deferred revenue	1,239	1,208
Debt	49	49
Total current liabilities	<u>41,997</u>	<u>48,828</u>
Debt, noncurrent	15,000	15,000
Other liabilities, noncurrent	5,529	5,740
Total liabilities	<u>62,526</u>	<u>69,568</u>
Stockholders' equity:		
Common stock	45	45
Additional paid-in capital	252,517	249,358
Accumulated other comprehensive loss	(420)	(413)
Accumulated deficit	(125,537)	(113,405)
Total stockholders' equity	<u>126,605</u>	<u>135,585</u>
Total liabilities and stockholders' equity	<u>\$ 189,131</u>	<u>\$ 205,153</u>

**QUINSTREET, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

<u>Three Months Ended</u> <u>December 31,</u>	<u>Six Months Ended</u> <u>December 31,</u>
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	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net revenue	\$ 64,961	\$ 66,694	\$ 137,350	\$ 135,883
Cost of revenue <sup>(1)</sup>	60,169	60,395	125,964	123,804
Gross profit	4,792	6,299	11,386	12,079
Operating expenses: <sup>(1)</sup>				
Product development	3,761	4,244	8,147	9,200
Sales and marketing	2,917	3,357	6,492	7,024
General and administrative	4,057	4,079	8,220	8,694
Operating loss	(5,943)	(5,381)	(11,473)	(12,839)
Interest income	10	28	16	54
Interest expense	(145)	(786)	(278)	(1,966)
Other income, net	65	636	8	2,961
Loss before income taxes	(6,013)	(5,503)	(11,727)	(11,790)
(Provision for) benefit from taxes	(40)	26	(405)	26
Net loss	<u>\$ (6,053)</u>	<u>\$ (5,477)</u>	<u>\$ (12,132)</u>	<u>\$ (11,764)</u>
Net loss per share:				
Basic	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>	<u>\$ (0.27)</u>	<u>\$ (0.27)</u>
Diluted	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>	<u>\$ (0.27)</u>	<u>\$ (0.27)</u>
Weighted average shares used in computing net loss per share:				
Basic	45,127	44,440	44,982	44,353
Diluted	45,127	44,440	44,982	44,353

<sup>(1)</sup> Cost of revenue and operating expenses include stock-based compensation expense as follows:

Cost of revenue	\$ 753	\$ 785	\$ 1,557	\$ 1,429
Product development	445	594	1,045	1,189
Sales and marketing	444	562	869	1,026
General and administrative	687	585	1,362	1,157

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>				
Net loss	\$ (6,053)	\$ (5,477)	\$ (12,132)	\$ (11,764)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization	3,772	4,986	7,716	10,408
Provision for sales returns and doubtful accounts receivable	707	288	634	470
Write-off of bank loan upfront fees	-	-	-	328
Stock-based compensation	2,329	2,526	4,833	4,801
Excess tax benefits from stock-based compensation	-	-	-	(51)
Gain on sales of domain names	(51)	(708)	(116)	(3,158)

Other adjustments, net	-	58	-	99
Changes in assets and liabilities:				
Accounts receivable	4,609	13	5,062	394
Prepaid expenses and other assets	(9,445)	943	(3,945)	(369)
Deferred taxes	-	-	(8)	2
Accounts payable	(1,845)	2,331	(2,945)	2,964
Accrued liabilities	(2,210)	(1,380)	(3,883)	(3,449)
Deferred revenue	93	614	31	178
Other liabilities, noncurrent	(112)	(92)	(210)	(253)
Net cash (used in) provided by operating activities	<u>(8,206)</u>	<u>4,102</u>	<u>(4,963)</u>	<u>600</u>
<b>Cash Flows from Investing Activities</b>				
Capital expenditures	(654)	(144)	(1,143)	(2,285)
Internal software development costs	(655)	(506)	(1,931)	(933)
Purchases of marketable securities	-	(5,995)	-	(16,600)
Proceeds from sales and maturities of marketable securities	-	17,525	-	27,287
Proceeds from sales of domain names	51	458	91	3,158
Proceeds from sale of property and equipment	-	10	-	10
Net cash (used in) provided by investing activities	<u>(1,258)</u>	<u>11,348</u>	<u>(2,983)</u>	<u>10,637</u>
<b>Cash Flows from Financing Activities</b>				
Proceeds from exercise of common stock options	26	-	26	1,300
Principal payments on bank debt	-	(3,750)	-	(7,500)
Payment of bank loan upfront fees	-	-	-	(272)
Principal payments on acquisition-related notes payable	-	-	-	(444)
Excess tax benefits from stock-based compensation	-	-	-	51
Withholding taxes related to restricted stock net share settlement	(425)	(182)	(1,748)	(626)
Net cash used in financing activities	<u>(399)</u>	<u>(3,932)</u>	<u>(1,722)</u>	<u>(7,491)</u>
Effect of exchange rate changes on cash and cash equivalents	(47)	1	(50)	17
Net (decrease) increase in cash and cash equivalents	(9,910)	11,519	(9,718)	3,763
Cash and cash equivalents at beginning of period	60,660	76,421	60,468	84,177
Cash and cash equivalents at end of period	<u>\$ 50,750</u>	<u>\$ 87,940</u>	<u>\$ 50,750</u>	<u>\$ 87,940</u>

**QUINSTREET, INC.**  
**RECONCILIATION OF NET LOSS TO**  
**ADJUSTED NET (LOSS) INCOME**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months</b>		<b>Six Months Ended</b>	
	<b>Ended</b>		<b>December 31,</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net loss	\$ (6,053)	\$ (5,477)	\$ (12,132)	\$ (11,764)
Amortization of intangible assets	2,247	3,315	4,656	7,076
Stock-based compensation	2,329	2,526	4,833	4,801
Restructuring	-	-	218	439
Tax impact after non-GAAP items	-	(133)	-	(201)
Adjusted net (loss) income	<u>\$ (1,477)</u>	<u>\$ 231</u>	<u>\$ (2,425)</u>	<u>\$ 351</u>
Adjusted diluted net (loss) income per share	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>
Weighted average shares used in computing adjusted diluted net (loss) income per share	45,127	44,460	44,982	44,371

**QUINSTREET, INC.**  
**RECONCILIATION OF NET LOSS TO**  
**ADJUSTED EBITDA**  
(In thousands)  
(Unaudited)

	<b>Three Months</b>		<b>Six Months Ended</b>	
	<b>Ended</b>		<b>December 31,</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net loss	\$ (6,053)	\$ (5,477)	\$ (12,132)	\$ (11,764)
Interest and other expense (income), net	70	122	254	(1,049)
Provision for (benefit from) taxes	40	(26)	405	(26)
Depreciation and amortization	3,772	4,986	7,716	10,408
Stock-based compensation	2,329	2,526	4,833	4,801
Restructuring	-	-	218	439
Adjusted EBITDA	<u>\$ 158</u>	<u>\$ 2,131</u>	<u>\$ 1,294</u>	<u>\$ 2,809</u>

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