



QuinStreet Reports Results for Third Quarter Fiscal 2024

May 8, 2024

- **The steep re-ramp of Auto Insurance carrier spending has begun**
- **Auto Insurance revenue is expected to continue to ramp in coming quarters**
- **Continued total company revenue growth, further margin expansion expected in FYQ4**
- **Strong growth & margin expansion expected in fiscal year 2025 which begins July 1**

FOSTER CITY, Calif.--(BUSINESS WIRE)--May 8, 2024-- QuinStreet, Inc. (Nasdaq: QNST), a leader in performance marketplaces and technologies for the financial services and home services industries, today announced financial results for the fiscal third quarter ended March 31, 2024.

For the fiscal third quarter, the Company reported revenue of \$168.6 million.

GAAP net loss for the fiscal third quarter was \$(7.0) million, or \$(0.13) per diluted share. Adjusted net income for the fiscal third quarter was \$3.4 million, or \$0.06 per diluted share.

Adjusted EBITDA for the fiscal third quarter was \$7.9 million.

The Company closed the fiscal third quarter with \$39.6 million in cash and cash equivalents and no bank debt.

"The steep re-ramp of Auto Insurance carrier spending has begun," commented Doug Valenti, CEO of QuinStreet. "Revenue in our Auto Insurance client vertical inflected strongly in January and scaled further during the quarter. Total Company revenue grew about 40% sequentially in fiscal Q3. Adjusted EBITDA jumped to almost \$8 million dollars in the quarter. We expect the ramp of Auto Insurance revenue to continue in coming quarters, driving growth in total Company revenue and further margin expansion.

"Turning to our outlook for the current quarter, or fiscal Q4, we expect revenue to be between \$180 and \$190 million, a quarterly revenue record for QuinStreet, implying year-over-year growth of over 40% at the midpoint of the range. We expect adjusted EBITDA to be between \$10 and \$11 million, implying year-over-year growth of over 400%. Our fiscal year 2025 begins this July 1. The annual run rate of our fiscal Q4 revenue outlook already implies growth of 20% or more over full fiscal year 2024."

Conference Call Today at 2:00 p.m. PT

The Company will host a conference call and corresponding live webcast at 2:00 p.m. PT. To access the conference call dial +1 800-717-1738 (domestic) or +1 646-307-1865 (international). A replay of the conference call will be available beginning approximately two hours after the completion of the call by dialing +1 844-512-2921 (domestic) or +1 412-317-6671 (international) and using passcode #1148246. The webcast of the conference call will be available live and via replay on the investor relations section of the Company's website at <http://investor.quinstreet.com>.

About QuinStreet

QuinStreet, Inc. (Nasdaq: [QNST](#)) is a leader in performance marketplaces and technologies for the financial services and home services industries. QuinStreet is a pioneer in delivering online marketplace solutions to match searchers with brands in digital media, and is committed to providing consumers with the information and tools they need to research, find and select the products and brands that meet their needs.

Non-GAAP Financial Measures and Definitions of Client Verticals

This release and the accompanying tables include a discussion of adjusted EBITDA, adjusted net (loss) income, adjusted diluted net (loss) income per share and free cash flow and normalized free cash flow, 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 (benefit from) income taxes, depreciation expense, amortization expense, stock-based compensation expense, interest and other (income) expense, net, acquisition and divestiture costs, contingent consideration adjustment, litigation settlement expense, tax settlement expense, and restructuring costs. 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, acquisition and divestiture costs, contingent consideration adjustment, litigation settlement expense, tax settlement expense, tax valuation allowance, restructuring costs and impairment of investment, 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. The term "free cash flow" refers to a financial measure that we define as net cash provided by operating activities, less capital expenditures and internal software development costs. The term "normalized free cash flow" refers to free cash flow less changes in operating assets and liabilities. 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 income, adjusted diluted net income per share and free cash flow and normalized free cash flow 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 useful to us and investors because (i) we seek to manage our business to a level of adjusted EBITDA as a percentage of net revenue, (ii) it is used internally by us for planning purposes, including preparation of internal budgets; to allocate resources; to evaluate the effectiveness of operational strategies and capital expenditures as well as the capacity to service debt, (iii) it is a key basis upon which we assess our

operating performance, (iv) it is one of the primary metrics investors use in evaluating Internet marketing companies, (v) it is a factor in determining compensation, (vi) it is an element of certain financial covenants under our historical borrowing arrangements, and (vii) it is a factor that assists investors in the analysis of ongoing operating trends. In addition, we believe adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other interested parties in our industry as a measure of financial performance, debt-service capabilities and as a metric for analyzing company valuations.

We use adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact of changes in effective tax rates or fluctuations in permanent differences or discrete quarterly items), non-recurring charges, certain other items that we do not believe are indicative of core operating activities (such as litigation settlement expense, tax settlement expense, acquisition and divestiture costs, contingent consideration adjustment, restructuring costs and other income and expense) and the non-cash impact of depreciation expense, amortization expense and stock-based compensation expense.

With respect to our adjusted EBITDA guidance, the Company is not able to provide a quantitative reconciliation to the most directly comparable GAAP financial measure without unreasonable efforts due to the high variability, complexity and low visibility with respect to certain items such as taxes, and income and expense from changes in fair value of contingent consideration from acquisitions. We expect the variability of these items to have a potentially unpredictable and potentially significant impact on future GAAP financial results, and, as such, we also believe that any reconciliations provided would imply a degree of precision that would be confusing or misleading to investors.

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, and contingent consideration adjustment), non-recurring charges and certain other items that we do not believe are indicative of core operating activities. We believe that analysts and investors use adjusted net income and adjusted diluted net income per share as supplemental measures to evaluate the overall operating performance of companies in our industry.

Free cash flow is useful to investors and us because it represents the cash that our business generates from operations, before taking into account cash movements that are non-operational, and is a metric commonly used in our industry to understand the underlying cash generating capacity of a company's financial model. Normalized free cash flow is useful as it removes the fluctuations in operating assets and liabilities that occur in any given quarter due to the timing of payments and cash receipts and therefore helps investors understand the underlying cash flow of the business as a quarterly metric and the cash flow generation potential of the business model. We believe that analysts and investors use free cash flow multiples as a metric for analyzing company valuations 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", "expect", "intend", "outlook", "potential", "promises" 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 Company's ability to maintain and increase client marketing spend; the Company's ability, whether within or outside the Company's control, 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 Company's exposure to data privacy and security risks; the impact of changes in industry standards and government regulation including, but not limited to investigation enforcement activities or regulatory activity by the Federal Trade Commission, the Federal Communications Commission, the Consumer Finance Protection Bureau and other state and federal regulatory agencies; the impact of changes in our business, our industry, and the current economic and regulatory climate on the Company's quarterly and annual results of operations; 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 protect our intellectual property rights; and the impact from risks relating to counterparties on the Company's business. More information about potential factors that could affect the Company's business and financial results are contained in the Company's annual report 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 annual report on Form 10-Q for the fiscal year ended March 31, 2024, 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.

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

	March 31, 2024	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,602	\$ 73,677
Accounts receivable, net	99,639	67,748
Prepaid expenses and other assets	7,525	9,779
Total current assets	146,766	151,204

Property and equipment, net	20,633	16,749
Operating lease right-of-use assets	10,923	3,536
Goodwill	125,056	121,141
Other intangible assets, net	40,881	38,700
Other assets, noncurrent	4,992	5,825
Total assets	<u>\$ 349,251</u>	<u>\$ 337,155</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 40,621	\$ 37,926
Accrued liabilities	58,425	44,010
Deferred revenue	185	9
Other liabilities	9,883	7,875
Total current liabilities	<u>109,114</u>	<u>89,820</u>
Operating lease liabilities, noncurrent	8,260	1,261
Other liabilities, noncurrent	16,913	16,273
Total liabilities	<u>134,287</u>	<u>107,354</u>
Stockholders' equity:		
Common stock	55	54
Additional paid-in capital	343,424	329,093
Accumulated other comprehensive loss	(268)	(266)
Accumulated deficit	(128,247)	(99,080)
Total stockholders' equity	<u>214,964</u>	<u>229,801</u>
Total liabilities and stockholders' equity	<u>\$ 349,251</u>	<u>\$ 337,155</u>

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net revenue	\$ 168,587	\$ 172,671	\$ 415,193	\$ 450,312
Cost of revenue ⁽¹⁾	154,276	155,633	386,380	412,388
Gross profit	14,311	17,038	28,813	37,924
Operating expenses: ⁽¹⁾				
Product development	7,549	7,832	22,457	21,832
Sales and marketing	3,626	3,385	10,076	9,651
General and administrative	8,468	7,230	22,906	21,919
Operating loss	(5,332)	(1,409)	(26,626)	(15,478)
Interest income	49	46	381	65
Interest expense	(293)	(187)	(515)	(626)
Other expense	(2,028)	(12)	(1,961)	(44)
Loss before income taxes	(7,604)	(1,562)	(28,721)	(16,083)
Benefit from (provision for) income taxes	556	1,083	(446)	3,108
Net loss	<u>\$ (7,048)</u>	<u>\$ (479)</u>	<u>\$ (29,167)</u>	<u>\$ (12,975)</u>
Net loss per share:				
Basic	<u>\$ (0.13)</u>	<u>\$ (0.01)</u>	<u>\$ (0.53)</u>	<u>\$ (0.24)</u>
Diluted	<u>\$ (0.13)</u>	<u>\$ (0.01)</u>	<u>\$ (0.53)</u>	<u>\$ (0.24)</u>
Weighted-average shares used in computing net loss per share:				
Basic	55,065	53,950	54,764	53,668
Diluted	55,065	53,950	54,764	53,668

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

Cost of revenue	\$ 2,203	\$ 2,006	\$ 6,483	\$ 6,238
Product development	789	695	2,399	2,225
Sales and marketing	794	660	2,157	1,970

General and administrative	2,948	1,947	7,038	5,622
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QUINSTREET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Cash Flows from Operating Activities				
Net loss	\$ (7,048)	\$ (479)	\$ (29,167)	\$ (12,975)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization	6,225	4,972	17,276	14,004
Impairment of investment	2,000	—	2,000	—
Provision for sales returns and doubtful accounts receivable	326	169	708	898
Stock-based compensation	6,721	5,308	18,063	16,055
Non-cash lease expense	51	(280)	(559)	(822)
Deferred income taxes	(559)	(981)	187	(3,260)
Other adjustments, net	150	(6)	(266)	(147)
Changes in assets and liabilities:				
Accounts receivable	(25,237)	(34,363)	(32,599)	(25,075)
Prepaid expenses and other assets	296	(3,238)	2,481	(3,826)
Accounts payable	7,023	3,113	2,297	(1,562)
Accrued liabilities	13,980	16,465	14,886	10,920
Deferred revenue	185	(10)	176	(341)
Net cash (used in) provided by operating activities	<u>4,113</u>	<u>(9,330)</u>	<u>(4,517)</u>	<u>(6,131)</u>
Cash Flows from Investing Activities				
Capital expenditures	(1,211)	(485)	(4,173)	(2,038)
Internal software development costs	(2,488)	(3,031)	(8,903)	(8,496)
Acquisitions, net of cash acquired	(4,510)	—	(4,510)	—
Other investing activities	(1,500)	—	(1,500)	(120)
Net cash used in investing activities	<u>(9,709)</u>	<u>(3,516)</u>	<u>(19,086)</u>	<u>(10,654)</u>
Cash Flows from Financing Activities				
Proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	1,595	1,409	3,296	3,206
Payment of withholding taxes related to release of restricted stock, net of share settlement	(1,571)	(1,518)	(4,920)	(4,744)
Post-closing payments and contingent consideration related to acquisitions	(344)	(3,184)	(6,573)	(10,408)
Repurchase of common stock	—	—	(2,288)	(4,731)
Net cash used in financing activities	<u>(320)</u>	<u>(3,293)</u>	<u>(10,485)</u>	<u>(16,677)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	(2)	13	(14)
Net decrease in cash, cash equivalents and restricted cash	(5,918)	(16,141)	(34,075)	(33,476)
Cash, cash equivalents and restricted cash at beginning of period	45,535	79,118	73,692	96,453
Cash, cash equivalents and restricted cash at end of period	<u>\$ 39,617</u>	<u>\$ 62,977</u>	<u>\$ 39,617</u>	<u>\$ 62,977</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets				
Cash and cash equivalents	\$ 39,602	\$ 62,962	\$ 39,602	\$ 62,962
Restricted cash included in other assets, noncurrent	15	15	15	15
Total cash, cash equivalents and restricted cash	<u>\$ 39,617</u>	<u>\$ 62,977</u>	<u>\$ 39,617</u>	<u>\$ 62,977</u>

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023

Net loss	\$ (7,048)	\$ (479)	\$ (29,167)	\$ (12,975)
Amortization of intangible assets	2,678	2,808	7,834	8,454
Stock-based compensation	6,734	5,308	18,077	16,055
Acquisition and divestiture costs	30	—	30	32
Litigation settlement expense	—	6	—	6
Tax settlement expense	—	—	—	39
Restructuring costs	277	102	578	183
Impairment of investment	2,000	—	2,000	—
Tax impact of non-GAAP items	(1,235)	(1,597)	410	(4,012)
Adjusted net income (loss)	<u>\$ 3,436</u>	<u>\$ 6,148</u>	<u>\$ (238)</u>	<u>\$ 7,782</u>
Adjusted diluted net income (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ (0.00)</u>	<u>\$ 0.14</u>
Weighted average shares used in computing adjusted diluted net income (loss) per share	56,733	55,680	54,764	54,952

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

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Nine Months Ended</u> <u>March 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net loss	\$ (7,048)	\$ (479)	\$ (29,167)	\$ (12,975)
Interest and other expense, net	2,272	153	2,095	605
Benefit from (provision for) income taxes	(556)	(1,083)	446	(3,108)
Depreciation and amortization	6,225	4,972	17,276	14,004
Stock-based compensation	6,734	5,308	18,077	16,055
Acquisition and divestiture costs	30	—	30	32
Litigation settlement expense	—	6	—	6
Tax settlement expense	—	—	—	39
Restructuring costs	277	102	578	183
Adjusted EBITDA	<u>\$ 7,934</u>	<u>\$ 8,979</u>	<u>\$ 9,335</u>	<u>\$ 14,841</u>

QUINSTREET, INC.
RECONCILIATION OF CASH (USED IN) PROVIDED BY
OPERATING ACTIVITIES TO FREE CASH FLOW
AND NORMALIZED FREE CASH FLOW
(In thousands)
(Unaudited)

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Nine Months Ended</u> <u>March 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net cash (used in) provided by operating activities	\$ 4,113	\$ (9,330)	\$ (4,517)	\$ (6,131)
Capital expenditures	(1,211)	(485)	(4,173)	(2,038)
Internal software development costs	(2,488)	(3,031)	(8,903)	(8,496)
Free cash flow	414	(12,846)	(17,593)	(16,665)
Changes in operating assets and liabilities	3,754	18,032	12,758	19,884
Normalized free cash flow	<u>\$ 4,168</u>	<u>\$ 5,186</u>	<u>\$ (4,835)</u>	<u>\$ 3,219</u>

QUINSTREET, INC.
DISAGGREGATION OF REVENUE
(In thousands)
(Unaudited)

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Nine Months Ended</u> <u>March 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net revenue:				

Financial Services	\$ 112,250	\$ 120,219	\$ 255,708	\$ 304,520
Home Services	53,908	50,289	152,636	139,997
Other Revenue	2,429	2,163	6,849	5,795
Total net revenue	<u>\$ 168,587</u>	<u>\$ 172,671</u>	<u>\$ 415,193</u>	<u>\$ 450,312</u>

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