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 June 30, 2022

OR

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

Commission file number: 001-34628

QuinStreet, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**77-0512121**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

950 Tower Lane, 6th Floor
Foster City, California 94404
(Address of principal executive offices, including zip code)

(650) 587-7700
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	**QNST**	**The Nasdaq Stock Market LLC (Nasdaq Global Select 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 ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

As of December 31, 2021, the aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing sale price of the Company's common stock as reported by the Nasdaq Global Select Market on such date, was $949,884,910. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares owned by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances indicating that such stockholders exercise any control over our company. The determination of executive officer or affiliate status is not a conclusive determination for other purposes.

Number of shares of common stock outstanding as of August 15, 2022: 53,382,715

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement relating to its 2022 annual stockholders' meeting are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

QUINSTREET, INC.

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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PART I

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements other than statements of historical facts, including statements regarding our future financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. Terminology such as “believe,” “may,” “might,” “objective,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions is intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed in Part 1, Item 1A. “Risk Factors” of this Annual Report on Form 10-K and elsewhere in this report, such as but not limited to:

- our still developing industry and relatively new business model and products such as the QuinStreet Rating Platform (“QRP”);
- changes in the general economic conditions and market dynamics in the United States, or in the specific markets in which we currently do business, including as a result of the COVID-19 pandemic and Russian-Ukraine military conflict;
- the impact of the COVID-19 pandemic and its aftermath on us, our third-party publishers’, and our clients’ businesses, the extent of which continues to be uncertain and will depend on future actions and outcomes that are highly uncertain and cannot be predicted, including the duration and scope of the pandemic; business and individuals' actions in response to the pandemic; further actions taken by governmental authorities to limit the human and economic impact of the pandemic (e.g., stimulus payments); the continued development, efficacy and distribution of vaccines for COVID-19; and the impact on economic activity including the length and depth of economic downturns or financial market instability that result from the pandemic;
- changes in the regulatory enforcement or legislative environment;
- our dependence on the availability and affordability of quality media from third-party media sources and strategic partners;
- our dependence on Internet search companies to attract Internet visitors;
- our ability to accurately forecast our results of operations and appropriately plan our expenses;
- our ability to compete in our industry;
- our ability to manage cyber security risks and costs associated with maintaining a robust security infrastructure;
- our ability to continually optimize our websites to allow Internet visitors to access our websites through mobile devices;
- our ability to develop new services, enhancements and features to meet new demands from our clients;
- our ability to implement our enhanced products across our business and achieve client adoptions of such products;
- our ability to successfully complete acquisitions, divestitures and other business development transactions including our ability to enter into, and manage the relationship and risks associated with, strategic partnerships; and,
- our ability to successfully challenge regulatory audits, investigations or allegations of noncompliance with laws.

Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements, and we qualify all of our forward-looking statements by these cautionary statements.

Item 1. *Business*

Our Company

We are a leader in performance marketplaces and technologies for the financial services and home services industries. Our approach to proprietary performance marketing technologies allows clients to engage high intent digital media or traffic from a wide range of device types (e.g., mobile, desktop, tablet), in multiple formats or types of media (e.g., search engines, large and small media properties or websites, email), and in a wide range of cost-per-action, or CPA, forms. These forms of contact are the primary "products" we sell to our clients, and include qualified clicks, leads, calls, applications and customers. We specialize in customer acquisition for clients in high value, information-intensive markets, or "verticals," including financial services and home services. Our clients include some of the world's largest companies and brands in those markets. The majority of our operations and revenue are in North America.

We generate revenue by delivering measurable online marketing results to our clients. The benefits to our clients include cost-effective and measurable customer acquisition costs, as well as management of highly targeted but also highly fragmented online media sources and access to our world-class proprietary technologies. We are predominantly paid on a negotiated or market-driven "per click," "per lead," or other "per action" basis that aligns with the customer acquisition cost targets of our clients. We bear the cost of paying Internet search companies, third-party media sources, strategic partners and other online media sources to generate qualified clicks, leads, calls, applications or customers for our clients.

Our competitive advantages include our media buying power, proprietary technologies, extensive data and experience in performance marketing, and significant online media market share in the markets or verticals we serve. Our advantage in online media buying is key to our business model and comes from our ability to effectively segment and match high-intent, unbranded media or traffic – one of the largest sources of traffic for customer acquisition – to as many as hundreds of clients or client offerings and, in most cases, to match those visitors to multiple clients, which also satisfies the visitor's desire to choose among alternatives and to shop multiple offerings. Together, the ability to match more visitors in any given flow of traffic or media to a client offering, and to do so multiple times, adds up to a significant media buying advantage compared to individual clients or other buyers for these types of media.

Our proprietary technologies have been developed over the past 23 years to allow us to best segment and match media or traffic, to deliver optimized results for our clients and to operate our high volume and highly complex channel cost-efficiently.

Our extensive data and experience in performance marketing reflect the execution, knowledge and learning from billions of dollars of media spend on these campaigns over time. This is a steep and expensive learning curve. These learnings address millions of permutations of media sources, mix and order of creative and content merchandising, and approaches to the matching and segmentation of Internet visitors to optimize their experience and the results for clients. Together, these learnings allow us to run thousands of campaigns simultaneously and cost-effectively for our clients at acceptable media costs and margins to us.

Because of our deep expertise and capabilities in running financially successful performance marketing programs, we are able to effectively compete for sources and partners of high-intent, unbranded media, and our market share in our client verticals of this media is significant. Our media sources include owned-and-operated organic or search engine optimization ("SEO") websites, targeted search engine marketing ("SEM") or pay-per-click ("PPC") campaigns, social media and mobile programs, internal email databases, call center operations, partnerships with large and small online media companies, and more. Our collective media presence results in engagement with a significant share of online visitors in those markets or verticals, which leads us to be included in client online media buys.

We were incorporated in California on April 16, 1999 and reincorporated in Delaware on December 31, 2009. We have been a pioneer in the development and application of measurable marketing on the Internet. Clients pay us for the actual opt-in actions by visitors or customers that result from our marketing activities on their behalf, versus traditional impression-based advertising and marketing models in which an advertiser pays for a broad audience's exposure to an advertisement.

Market Opportunity

Change in marketing strategy and approach

We believe that marketing approaches are changing as budgets shift from offline, analog advertising media to digital advertising media such as Internet marketing. These changing approaches require a shift to fundamentally new competencies, including:

From qualitative, impression-driven marketing to analytic, data-driven marketing

Growth in Internet marketing enables a more data-driven approach to advertising. The measurability of online marketing allows marketers to collect a significant amount of detailed data on the performance of their marketing campaigns, including the effectiveness of ad format and placement and user responses. This data can then be analyzed and used to improve marketing campaign performance and cost-effectiveness on substantially shorter cycle times than with traditional offline media.

From account management-based client relationships to results-based client relationships

Marketers are becoming increasingly focused on strategies that deliver specific, measurable results. For example, marketers are attempting to better understand how their marketing spending produces measurable objectives such as meeting their target marketing cost per new customer. As marketers adopt more results-based approaches, the basis of client relationships with their marketing services providers is shifting from being more account management-based to being more results-oriented.

From marketing messages pushed on audiences to marketing messages pulled by self-directed audiences

Traditional marketing messages such as television and radio advertisements are broadcast to a broad audience. The Internet enables more self-directed and targeted marketing. For example, when Internet visitors click on PPC search advertisements, they are expressing an interest in and proactively engaging with information about a product or service related to that advertisement. The growth of self-directed marketing, primarily through online channels, allows marketers to present more targeted and potentially more relevant marketing messages to potential customers who have taken the first step in the buying process, which can in turn increase the effectiveness of marketers’ spending.

From marketing spending focused on large media buys to marketing spending optimized for fragmented media

We believe that media is becoming increasingly fragmented and that marketing strategies are changing to adapt to this trend. There are millions of Internet websites, tens of thousands of which have significant numbers of visitors. While this fragmentation can create challenges for marketers, it also allows for improved audience segmentation and the delivery of highly targeted marketing messages, but innovative technologies and approaches are necessary to effectively manage marketing given the increasing complexity resulting from more media fragmentation.

Increasing complexity of online marketing

Online marketing is a dynamic and increasingly complex advertising medium. There are numerous online channels for marketers to reach potential customers, including search engines, Internet portals, vertical content websites, affiliate networks, display and contextual ad networks, email, video advertising, and social media. We refer to these and other marketing channels as media. Each of these channels may involve multiple ad formats and different pricing models, amplifying the complexity of online marketing. We believe that this complexity increases the demand for our vertical marketing and media services due to our capabilities and to our experience managing and optimizing online marketing programs across multiple channels. Also, marketers and agencies often lack our ability to aggregate offerings from multiple clients in the same industry vertical, an approach that allows us to cover a wide selection of visitor segments and provide more potential matches to visitor needs. This approach can allow us to convert more Internet visitors into qualified clicks, leads, calls, applications, or customers from targeted media sources, giving us an advantage when buying or monetizing that media.

Our Business Model

We deliver measurable and cost-effective marketing results to our clients, typically in the form of qualified inquiries such as clicks, leads, calls, applications, or customers. Clicks, leads, calls, and applications can then convert into a customer or sale for clients at a rate that results in an acceptable marketing cost to them. We are typically paid by clients when we deliver qualified inquiries in the form of clicks, leads, calls, applications, or customers, as defined by our agreements with them. References to the delivery of customers means a sale or completed customer transaction (e.g., funded loans, bound insurance policies or customer appointments with clients). Because we bear the costs of media, our programs must result in attractive marketing costs to our clients at media costs and margins that provide sound financial outcomes for us. To deliver clicks, leads, calls, applications, and customers to our clients, generally we:

- own or access targeted media through business arrangements (e.g., revenue sharing arrangements with online publisher partners, large and small) or by purchasing media (e.g., clicks from major search engines);
- run advertisements or other forms of marketing messages and programs in that media that result in consumer or visitor responses, typically in the form of clicks (by a consumer to further qualification or matching steps, or to online client applications or offerings), leads (e.g., consumer contact information), calls (from a consumer or to a consumer by our owned and operated or contracted call centers or by that of our clients or their agents), applications (e.g., for enrollment or a financial product), or customers (e.g., funded personal loans); and

- continuously seek to display clients and client offerings to visitors or consumers that result in the maximum number of consumers finding solutions that can meet their needs and to which they will take action to respond, resulting in media buying efficiency (e.g., by segmenting media or traffic so that the most appropriate clients or client offerings can be displayed or “matched” to each segment based on fit, response rates or conversion rates);
- through technology and analytics, seek to optimize combination of objectives to satisfy the maximum number of shopping or researching visitors or consumers, deliver on client marketing objectives, effectively compete for online media, and generate a sound financial outcome for us.

Media cost, or the cost to attract targeted Internet visitors, is the largest cost input to producing the measurable marketing results we deliver to clients. Balancing our clients’ customer acquisition cost and conversion objectives — or the rate at which the clicks, leads, calls, or applications that we deliver to them convert into customers — with our media costs and yield objectives, represents the primary challenge in our business model. We have been able to effectively balance these competing demands by focusing on our media sources and creative capabilities, developing proprietary technologies and optimization capabilities, and working to constantly improve segmentation and matching of visitors to clients through the application of our extensive data and experience in performance marketing. We also seek to mitigate media cost risk by working with third-party publishers and media owners predominantly on a revenue-share basis, which makes these costs variable and provides for risk management. Media purchased on a revenue-share basis has represented the majority of our media costs and of the Internet visitors we convert into qualified clicks, leads, calls, applications, or customers for clients, contributing significantly to our ability to maintain profitability.

Media and Internet visitor mix

We are a client-driven organization. We seek to be one of the largest providers of measurable marketing results on the Internet in the client industry verticals we serve by meeting the needs of clients for results, reliability and volume. Meeting those client needs requires that we maintain a diversified and flexible mix of Internet visitor sources due to the dynamic nature of online media. Our media mix changes with changes in Internet visitor usage patterns. We adapt to those changes on an ongoing basis, and also proactively adjust our mix of vertical media sources to respond to client- or vertical-specific circumstances and to achieve our financial objectives. Generally, our Internet visitor sources include:

- websites owned and operated by us, with content and offerings that are relevant to our clients’ target customers;
- visitors acquired from PPC advertisements purchased on major search engines and sent to our websites;
- third-party media sources (including strategic partners) with whom we have a relationship and whose content or traffic is relevant to our clients’ target customers;
- email lists owned by us or by third-parties; and
- advertisements run through online advertising networks, directly with major websites or portals, social media networks, or mobile networks.

Our Strategy

Our goal is to continue to be one of the largest and most successful performance marketing companies on the Internet, and eventually in other digitized media forms. We believe that we are in the early stages of a very large and long-term market opportunity. Our strategy for pursuing this opportunity includes the following key components:

- focus on generating sustainable revenues by providing measurable value to our clients;
- build QuinStreet and our industry sustainably by behaving ethically in all we do and by providing quality content and website experiences to Internet visitors;
- remain vertically focused, choosing to grow through depth, expertise and coverage in our current client verticals; enter new client verticals selectively over time, organically and through acquisitions;
- build a world class organization, with best-in-class capabilities for delivering measurable marketing results to clients and high yields or returns on media costs;
- develop and evolve the best products, technologies and platform for managing successful performance marketing campaigns on the Internet; focus on technologies that enhance media yield, improve client results and achieve scale efficiencies;

- build and apply unique data advantages from running some of the largest campaigns over long periods of time in our client verticals, including the steep learning curves of what campaigns work best to optimize each media type and each client's results;
- build and partner with vertical content websites that attract high intent visitors in the client and media verticals we serve; and
- be a client-driven organization and develop a broad set of media sources and capabilities to reliably meet client needs.

Clients

In fiscal years 2022, 2021 and 2020, we had one client, The Progressive Corporation, that accounted for 17%, 23% and 21% of net revenue. No other client accounted for 10% or more of net revenue in fiscal years 2022, 2021 and 2020. Our top 20 clients accounted for 51%, 58% and 55% of net revenue in fiscal years 2022, 2021 and 2020. Since our service was first offered in 2001, we have developed a broad client base with many multi-year relationships. We enter into Internet marketing contracts with our clients, most of which are cancelable with little or no prior notice. In addition, these contracts do not contain penalty provisions for cancellation before the end of the contract term.

Sales and Marketing

We have an internal sales team that consists of employees focused on signing new clients and account managers who maintain and seek to increase our business with existing clients. Our sales people and account managers are each focused on a particular client vertical so that they develop an expertise in the marketing needs of our clients in that particular vertical.

Technology and Infrastructure

We have developed a suite of technologies to manage, improve and measure the results of the marketing programs we offer our clients. We use a combination of proprietary and third-party software as well as hardware from established technology vendors. We use specialized software for client management, building and managing websites, acquiring and managing media, managing our third-party media sources, and using data and optimization tools to best match Internet visitors to our marketing clients. We have invested significantly in these technologies and plan to continue to do so to meet the demands of our clients and Internet visitors, to increase the scalability of our operations, and enhance management information systems and analytics in our operations. Our development teams work closely with our marketing and operating teams to develop applications and systems that can be used across our business. In fiscal years 2022, 2021 and 2020, we spent $21.9 million, $19.3 million and $14.2 million on product development.

Our primary data center is at a third-party co-location center in San Francisco, California. All of the critical components of the system are redundant, and we have a backup data center in Las Vegas, Nevada. We have implemented these backup systems and redundancies to minimize the risk associated with earthquakes, fire, power loss, telecommunications failure, and other events beyond our control.

Intellectual Property

We rely on a combination of patent, trade secret, trademark and copyright laws in the United States and other jurisdictions together with confidentiality agreements and technical measures to protect the confidentiality of our proprietary rights. To protect our trade secrets, we control access to our proprietary systems and technology and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third-parties. QuinStreet is a registered trademark in the United States and other jurisdictions. We also have registered and unregistered trademarks for the names of many of our websites, and we own the domain registrations for many of our website domains.

Our Competitors

Our primary competition falls into two categories: advertising and direct marketing services agencies, and online marketing and media companies. We compete for business on the basis of a number of factors including return on marketing expenditures, price, access to targeted media, ability to deliver large volumes or precise types of customer prospects, and reliability.

Advertising and direct marketing services agencies

Online and offline advertising and direct marketing services agencies control the majority of the large client marketing spending for which we primarily compete. So, while they are sometimes our competitors, agencies are also often our clients. We compete with agencies to attract marketing budget or spending from offline forms to the Internet or, once designated to be spent online, to be spent with us versus the agency or by the agency with others. When spending online, agencies spend with us and with portals, other websites and ad networks.

Online marketing and media companies

We compete with other Internet marketing and media companies, in many forms, for online marketing budgets. Most of these competitors compete with us in one client vertical. Examples include LendingTree and MediaAlpha in the financial services client vertical. Some of our competition also comes from agencies or clients spending directly with larger websites or portals, including Google, Yahoo! and Microsoft.

Government Regulation

We provide services through a number of different online and offline channels. As a result, we are subject to many federal and state laws and regulations, including restrictions on the use of unsolicited commercial email, such as the CAN-SPAM Act and state email marketing laws, and restrictions on the use of marketing activities conducted by telephone, including the Telemarketing Sales Rule and the Telephone Consumer Protection Act. Our business is also subject to federal and state laws and regulations regarding unsolicited commercial email, telemarketing, user privacy, search engines, Internet tracking technologies, direct marketing, data security, data privacy, pricing, sweepstakes, promotions, intellectual property ownership and infringement, trade secrets, export of encryption technology, acceptable content and quality of goods, and taxation, among others.

In addition, we provide services to a number of our clients that operate in highly regulated industries. In our financial services client vertical, our websites and marketing services are subject to various federal, state and local laws, including state licensing laws, federal and state laws prohibiting unfair acts and practices, and federal and state advertising laws. In addition, we are a licensed insurance agent in all fifty states. The costs of compliance with these regulations and new laws may increase in the future and any failure on our part to comply with such laws may subject us to significant liabilities.

Human Capital Resources

Our business success depends on our people. We are committed to the development, attraction and retention of our employees. We are dedicated to our core principles and values which include: leading and taking ownership of results and growth, embracing new ideas and approaches as opportunities to improve our performance, striving to better understand and anticipate the needs of all stakeholders, and holding ourselves to high standards of performance and excellence. We strive to invest in professional learning and personal development opportunities that would develop talent and support personal, career and leadership growth. We hold ourselves accountable and we are committed to pay equity and parity. Our compensation philosophy is designed with both short- and long-term incentives. We prioritize the health, safety and wellness of our employees and strive to create an environment where our employees are productive and also physically and mentally healthy, safe and well. Our offices have re-opened, and we continue to monitor the COVID-19 pandemic and related public health measures and restrictions. The health of our workforce remains our top priority while we work to ensure a safe work environment in our offices around the world.

As of June 30, 2022, we had 791 employees, which consisted of 212 employees in product development, 50 in sales and marketing, 41 in general and administration and 488 in operations. None of our employees are represented by a labor union.

Available Information

We file reports with the Securities and Exchange Commission (“SEC”), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other filings required by the SEC. We make these reports and filings available free of charge on our website via the investor relations page on www.quinstreet.com as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also webcast our earnings calls and certain events we host with members of the investment community on our investor relations page at http://investor.quinstreet.com. The content of our website is not intended to be incorporated by reference into this report or in any other report or document we file, and any reference to this website and others included in this report is intended to be an inactive textual reference only.

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

Item 1A. *Risk Factors*

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this periodic report. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition or results of operations could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Summary of Risks Associated with Our Business

The following is a summary of the principal factors that make an investment in our common stock speculative or risky. These risks, and others, are described in further detail below this summary.

- We operate in an industry that is still developing and have a relatively new business model that is continually evolving, which makes it difficult to evaluate our business and prospects.

- A reduction in online marketing spend by our clients, a loss of clients or lower advertising yields may seriously harm our business, financial condition, and results of operations. In addition, a substantial portion of our revenue is generated from a limited number of clients and, if we lose a major client, our revenue will decrease and our business and prospects may be harmed.

- We depend on third-party media sources, including strategic partners, for a significant portion of our visitors. Any decline in the supply of media available through these third-party publishers' websites or increase in the price of this media could cause our revenue to decline or our cost to reach visitors to increase.

- We are exposed to online security risks particularly given that we gather, transmit and store personally identifiable information. If we fail to maintain adequate reasonable safeguards to protect the security, confidentiality and integrity of personally identifiable information including failure to develop, implement and support our technology infrastructure and assessment processes, we may be in breach of our commitments to our clients and consumers. Unauthorized access to or accidental disclosure of confidential or proprietary data in our network systems, including via ransomware attacks, may cause us to incur significant expenses and may negatively affect our reputation and business.

- We depend upon Internet search companies to direct a significant portion of visitors to our owned and operated and our third-party publishers' websites. Changes in search engine algorithms have in the past harmed, and may in the future harm, the websites' placements in both paid and organic search result listings, which may reduce the number of visitors to our owned and operated and our third-party publishers' websites and as a result, cause our revenue to decline.

- We face risks and uncertainties related to the COVID-19 pandemic and its aftermath, which could significantly disrupt our operations and which could have a material adverse impact on our business, financial condition, operating results and cash flows. These risks and uncertainties could pertain to other viruses, pandemics or other such unforeseen and broad-based public health crises.

- Negative changes in economic conditions and the regulatory environment have had in the past, and may in the future have, a material and adverse impact on our revenue, business and growth.

- If we fail to continually enhance and adapt our products and services to keep pace with rapidly changing technologies and industry standards, we may not remain competitive and could lose clients or advertising inventory.

- Our results of operations have fluctuated in the past and may do so in the future, which makes our results of operations difficult to predict and could cause our results of operations to fall short of analysts' and investors' expectations.

- Limitations restricting our ability to market to users or collect and use data derived from user activities by technologies, service providers or otherwise could significantly diminish the value of our services and have an adverse effect on our ability to generate revenue.

- If we do not adequately protect our intellectual property rights, our competitive position and business may suffer.

- We are subject to risks with respect to counterparties, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

Risks Related to Our Business and Industry

We operate in an industry that is still developing and have a relatively new business model that is continually evolving, which makes it difficult to evaluate our business and prospects.

We derive all of our revenue from the sale of online marketing and media services, which is still a developing industry that has undergone rapid and dramatic changes in its relatively short history and which is characterized by rapidly-changing Internet media and advertising technology, evolving industry standards, regulatory uncertainty, and changing visitor and client demands. In addition, our business model and product offerings continue to evolve. We believe that our implementation of our enhanced products and media strategies across our business is in a relatively early stage. For example, we recently introduced our new QuinStreet Rating Platform ("QRP") product for insurance agents. As a result, we face risks and uncertainties such as but not limited to:

- our still developing industry and relatively new business model and products such as QRP;
- changes in the general economic conditions and market dynamics in the United States, or in the specific markets in which we currently do business, including as a result of the COVID-19 pandemic and Russian-Ukraine military conflict;
- the impact of the COVID-19 pandemic and its aftermath on us, our third-party publishers', and our clients' businesses, the extent of which continues to be uncertain and will depend on future actions and outcomes that are highly uncertain and cannot be predicted, including the duration and scope of the pandemic; business and individuals' actions in response to the pandemic; further actions taken by governmental authorities to limit the human and economic impact of the pandemic (e.g., stimulus payments); the continued development, efficacy and distribution of vaccines for COVID-19; and the impact on economic activity including the length and depth of economic downturns or financial market instability that result from the pandemic;
- changes in the regulatory enforcement or legislative environment;
- our dependence on the availability and affordability of quality media from third-party publishers and strategic partners;
- our dependence on Internet search companies to attract Internet visitors;
- our ability to accurately forecast our results of operations and appropriately plan our expenses;
- our ability to compete in our industry;
- our ability to manage cyber security risks and costs associated with maintaining a robust security infrastructure;
- our ability to continually optimize our websites to allow Internet visitors to access our websites through mobile devices;
- our ability to develop new services, enhancements and features to meet new demands from our clients;
- our ability to implement our enhanced products across our business and achieve client adoptions of such products;
- our ability to successfully complete acquisitions, divestitures and other business development transactions including our ability to enter into, and manage the relationship and risks associated with, strategic partnerships; and,
- our ability to successfully challenge regulatory audits, investigations or allegations of noncompliance with laws.

If we are unable to address these risks, our business, results of operations and prospects could suffer.

A reduction in online marketing spend by our clients, a loss of clients or lower advertising yields may seriously harm our business, financial condition and results of operations. In addition, a substantial portion of our revenue is generated from a limited number of clients and, if we lose a major client, our revenue will decrease and our business and prospects may be harmed.

We rely on clients' marketing spend on our owned and operated websites and on our network of third-party publisher and strategic partner websites. We have historically derived, and we expect to continue to derive, the majority of our revenue through the delivery of qualified inquiries such as clicks, leads, calls, applications and customers. One component of our platform that we use to generate client interest is our system of monetization tools, which is designed to match content with client offerings in a manner that optimizes revenue yield and end-user experience. Clients will stop spending marketing funds on our owned and operated websites or our third-party publisher and strategic partner websites if their investments do not generate marketing results and ultimately users or if we do not deliver advertisements in an appropriate and effective manner. The failure of our yield-optimized monetization technology to effectively match advertisements or client offerings with our content in a manner that results in increased revenue for our clients could have an adverse impact on our ability to maintain or increase our revenue from client marketing spend.

Even if our content is effectively matched with advertisements or client offerings, our current clients may not continue to place marketing spend or advertisements on our websites. For example, macroeconomic conditions such as an economic downturn or public health crises such as the COVID-19 pandemic and the Russia-Ukraine military conflict have impacted and may continue to impact our clients' marketing spend in the short-term and potentially in the long-term. If any of our clients decided not to continue to place marketing spend or advertising on our owned and operated websites or on our third-party publisher or strategic partner websites, we could experience a rapid decline in our revenue over a relatively short period of time. Any factors that limit the amount our clients are willing to and do spend on marketing or advertising with us, or to purchase marketing results from us, could have a material adverse effect on our business, financial condition, operating results and cash flows.

Furthermore, a substantial portion of our revenue is generated from a limited number of clients, including one client that accounted for 17% of our net revenue for fiscal year 2022. Our clients can generally terminate their contracts with us at any time or pause marketing spending without contract termination, and they do not have minimum spend requirements. Clients may also fail to renew their contracts or reduce their level of business with us, leading to lower revenue.

In addition, reductions in business by one or more significant clients has in the past triggered, and may in the future trigger, price reductions for other clients whose prices for certain products are determined in whole or in part by client bidding or competition which may reduce our ability to monetize media, further decreasing revenue. Any such future price or volume reductions, or drop in media monetization, could result in lower revenue or margin which could have a material adverse effect on our business, financial condition, operating results and cash flows. We expect that a limited number of clients will continue to account for a significant percentage of our revenue, and the loss of any one of these clients, or a material reduction in their marketing spending with us, could decrease our revenue and harm our business.

We depend on third-party media sources, including strategic partners, for a significant portion of our visitors. Any decline in the supply of media available through these third-party publishers' websites or increase in the price of this media could cause our revenue to decline or our cost to reach visitors to increase.

A significant portion of our revenue is attributable to visitor traffic originating from third-party publishers (including strategic partners). In many instances, third-party publishers can change the media inventory they make available to us at any time in ways that could impact our results of operations. In addition, third-party publishers may place significant restrictions on our offerings. These restrictions may prohibit advertisements from specific clients or specific industries, or restrict the use of certain creative content or formats. If a third-party publisher decides not to make its media channel or inventory available to us, decides to demand a higher revenue-share or places significant restrictions on the use of such inventory, we may not be able to find media inventory from other websites that satisfies our requirements in a timely and cost-effective manner. Consolidation of Internet advertising networks and third-party publishers could eventually lead to a concentration of desirable inventory on websites or networks owned by a small number of individuals or entities, which could limit the supply or impact the pricing of inventory available to us. In the past, we have experienced declines in our financial services client vertical primarily due to volume declines caused by losses of available media from third-party publishers acquired by competitors, changes in search engine algorithms which reduced or eliminated traffic from some third-party publishers and increased competition for quality media. We cannot assure you that we will be able to acquire media inventory that meets our clients' performance, price and quality requirements, in which case our revenue could decline or our operating costs could increase.

We are exposed to online data privacy and security risks particularly given that we gather, transmit and store personally identifiable information. If we fail to maintain adequate reasonable safeguards to protect the security, confidentiality and integrity of personally identifiable information including failure to develop, implement and support our technology infrastructure and assessment processes, we may be in breach of our commitments to our clients and consumers. Unauthorized access to or accidental disclosure of confidential or proprietary data in our network systems, including via ransomware attacks, may cause us to incur significant expenses and may negatively affect our reputation and business.

Nearly all of our products and services are web-based, and online performance marketing is data-driven. As a result, the amount of data stored on our servers has been increasing. We gather, transmit and store information about our users and marketing and media partners, including personally identifiable information. This information may include social security numbers, credit scores, credit card information, and financial and health information, some of which is held or managed by our third-party vendors. As a result, we are subject to certain contractual terms, including third-party security reviews, as well as federal, state and foreign laws and regulations designed to protect personally identifiable information. Complying with these contractual terms and various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. In addition, our existing security measures may not be successful in preventing security breaches. As we grow our business, we expect to continue to invest in technology services, hardware and software. Creating the appropriate security support for our technology platforms is expensive and complex, and our execution could result in inefficiencies or operational failures and increased vulnerability to cyber-attacks. We may also make commitments to our clients regarding our security practices in connection with clients' due diligence. If we do not adequately implement and enforce these security policies to the satisfaction of our clients, we could be in violation of our commitments to our clients and this could result in a loss of client confidence, damage to our reputation and loss of business. Despite our implementation of security measures and controls, our information technology and infrastructure are susceptible to circumvention by an internal party or third-party, such that electronic or physical computer break-ins, cyber-attacks, malware, ransomware, viruses, social engineering (including phishing attacks), fraud, employee error and other disruptions and security breaches that could result in third-parties gaining unauthorized access to our systems and data. Moreover, retaliatory acts by Russia in response to economic sanctions or other measures taken by the international community against Russia arising from the Russia-Ukraine military conflict could include an increased number or severity of cyberattacks from Russia or its allies. We may be unable to anticipate all our vulnerabilities and implement adequate preventative measures and, in some cases, we may not be able to immediately detect a security incident. In the past, we have experienced security incidents involving access to our databases. Although to our knowledge no sensitive financial or personal information has been compromised and no statutory breach notification has been required, any future security incidents could result in the compromise of such data and subject us to liability or remediation expense or result in cancellation of client contracts. Any security incident may also result in a misappropriation of our proprietary information or that of our users, clients and third-party publishers, which could result in legal and financial liability, as well as harm to our reputation. Any compromise of our security could limit the adoption of our products and services and have an adverse effect on our business.

We also face risks associated with security breaches affecting third-parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet, and any publicized security problems could negatively affect consumers' willingness to provide private information on the Internet generally, including through our services. Some of our business is conducted through third-parties, which may gather, transmit and store information about our users and marketing and media partners, through our infrastructure or through other systems. A security breach at any such third-party could be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third-parties may not comply with applicable disclosure or contractual requirements, which could expose us to liability.

Security concerns relating to our technological infrastructure, privacy concerns relating to our data collection practices and any perceived or public disclosure of actual unauthorized disclosure of personally identifiable information, whether through breach of our network or that of third-parties which we engage with, by an unauthorized party, employee theft, misuse, or error could harm our reputation, impair our ability to attract website visitors and to attract and retain our clients, result in a loss of confidence in the security of our products and services, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and results of operations. In recent years, several major companies, such as Capital One, Equifax, Yahoo!, Sony, Home Depot, Target and LinkedIn, have experienced high-profile security breaches that exposed their customers' personal information. In addition, we could incur significant costs for which our insurance policies may not adequately cover us and expend significant resources in protecting against security breaches and complying with the multitude of state, federal and foreign laws regarding data privacy and data breach notification obligations. We may need to increase our security-related expenditures to maintain or increase our systems' security or to address problems caused and liabilities incurred by security breaches.

We depend upon Internet search companies to direct a significant portion of visitors to our owned and operated and our third-party publishers' websites. Changes in search engine algorithms have in the past harmed, and may in the future harm, the websites' placements in both paid and organic search result listings, which may reduce the number of visitors to our owned and operated and our third-party publishers' websites and as a result, cause our revenue to decline.

Our success depends on our ability to attract online visitors to our owned and operated and our third-party publishers' websites and convert them into customers for our clients in a cost-effective manner. We depend on Internet search companies to direct a substantial share of visitors to our owned and operated and our third-party publishers' websites. Search companies offer two types of search results: organic and paid listings. Organic listings are displayed based solely on formulas designed by the search companies. Paid listings are displayed based on a combination of the advertiser's bid price for particular keywords and the search engines' assessment of the website's relevance and quality. If one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumers, and traffic to our websites could decrease. Changes in how search engines elect to operate, including with respect to the breadth of keyword matching, could also have an adverse impact on our campaigns. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our ability to maintain or grow the number of visitors to our owned and operated and our third-party publishers' websites from search companies is not entirely within our control. Search companies frequently revise their algorithms and changes in their algorithms have in the past caused, and could in the future cause, our owned and operated and our third-party publishers' websites to receive less favorable placements. We have experienced fluctuations in organic rankings for a number of our owned and operated and our third-party publishers' websites and some of our paid listing campaigns have also been harmed by search engine algorithmic changes. Search companies could determine that our or our third-party publishers' websites' content is either not relevant or is of poor quality.

In addition, we may fail to optimally manage our paid listings, or our proprietary bid management technologies may fail. To attract and retain visitors, we use search engine optimization ("SEO") which involves developing content to optimize ranking in search engine results. Our ability to successfully manage SEO efforts across our owned and operated websites and our third-party publishers' websites depends on our timely and effective modification of SEO practices implemented in response to periodic changes in search engine algorithms and methodologies and changes in search query trends. If we fail to successfully manage our SEO strategy, our owned and operated and our third-party publishers' websites may receive less favorable placement in organic or paid listings, which would reduce the number of visitors to our sites, decrease conversion rates and repeat business and have a detrimental effect on our ability to generate revenue. If visits to our owned and operated and our third-party publishers' websites decrease, we may need to use more costly sources to replace lost visitors, and such increased expense could adversely affect our business and profitability. Even if we succeed in driving traffic to our owned and operated websites, our third-party publishers' websites and our clients' websites, we may not be able to effectively monetize this traffic or otherwise retain users. Our failure to do so could result in lower advertising revenue from our owned and operated websites as well as third-party publishers' websites, which would have an adverse effect on our business, financial condition and results of operations.

Negative changes in the economic conditions and the regulatory environment have had in the past, and may in the future have, a material and adverse impact on our revenue, business and growth.

Adverse macroeconomic conditions could cause decreases or delays in spending by our clients in response to consumer demand and could harm our ability to generate revenue and our results of operations. Moreover, to date, we have generated a large majority of our revenue from clients in our financial services and education client verticals and, following the disposition of our education client vertical in the first quarter of fiscal year 2021, we expect that our revenue will be derived primarily from our financial services and home services client verticals. Changes in the macroeconomic or market conditions and changes in the regulatory environment have in the past affected, and may continue to negatively affect, our clients' businesses, marketing practices and budgets and, therefore, impact our business, financial condition, operating results and cash flows.

Worldwide economic conditions remain uncertain due to various global disruptions, including geopolitical events, such as war, the threat of war (including collateral damage from cyberwarfare), or terrorist activity; natural disasters; power shortages or outages; major public health issues, including pandemics; and significant local, national, or global events capturing the attention of a large part of the population, which could prevent or hinder our, or third-party publishers' or our clients' ability to do business, increase our costs, and negatively affect our stock price. Adverse consequences resulting from increasing economic or political conflicts between the United States and China, Russia's recent invasion of Ukraine and the subsequent economic sanctions imposed by the U.S., NATO and other countries, and various other market issues may have broader implications on economies outside the region, including increased instability in the worldwide financial markets and economy, increases in inflation, and enhanced volatility in foreign currency exchange rates. These uncertainties may cause our clients or potential clients to delay or reduce spending, which could negatively impact our revenue and operating results and make it difficult for us to accurately plan future business activities.

We, our third-party publishers', and our clients' businesses operate in highly regulated industries, subject to many laws and regulatory requirements, including federal, state, and local laws and regulations regarding unsolicited commercial email, telemarketing, user privacy, search engines, Internet tracking technologies, direct marketing, data security, data privacy, pricing, sweepstakes, promotions, intellectual property ownership and infringement, trade secrets, export of encryption technology, acceptable content and quality of goods, and taxation, among others. Each of our financial services and other client verticals is also subject to various laws and regulations, and our marketing activities on behalf of our clients are regulated. Many of these laws and regulations are frequently changing and can be subject to vagaries of interpretation and emphasis, and the extent and evolution of future government regulation is uncertain. Keeping our business in compliance with or bringing our business into compliance with new laws, therefore, may be costly, affect our revenue and harm our financial results. We believe increased regulation may continue to occur in the area of data privacy, and laws and regulations applying to the solicitation, collection, retention, deletion and processing, sharing or use of personally identifiable information. For example, the State of California enacted the California Consumer Privacy Act of 2018 ("CCPA") that took effect on January 1, 2020 and in November 2020, California voters passed ballot Proposition 24, the California Privacy Rights Act of 2020 ("CPRA"). CPRA brings several changes to the CCPA, the majority of which will become operative on January 1, 2023. CCPA and CPRA apply to our business and marketing activities. Among other things, CCPA requires covered businesses to provide new disclosures to California consumers about their data collection, use and sharing practices and with limited business exceptions, CCPA affords such consumers new rights to request deletion of data collected about them as well as to opt-out of certain data sharing practices. Further, foreign laws and regulations such as the General Data Protection Regulation ("GDPR"), which became effective in May 2018, may apply to our business and marketing activities that are offered to European Union users. The GDPR created a range of new compliance obligations and penalties for non-compliance are significant. The foregoing could affect our ability to use and share data and may result in expenditures to ensure our ability to store, use, process and share data in accordance with applicable laws and regulations. Violations or alleged violations of laws by us, our third-party publishers or our clients could result in damages, fines, criminal prosecution, unfavorable publicity, and restrictions on our ability to operate, any of which could have a material adverse effect on our business, financial condition, and results of operations. In addition, new laws or regulations including amendments thereof or changes in enforcement of existing laws or regulations applicable to our clients could affect the activities or strategies of our clients and, therefore, lead to reductions in their level of business with us.

For example, the Federal Communications Commission amended the Telephone Consumer Protection Act (the "TCPA") that affects telemarketing calls including SMS or text messaging. Certain provisions of the regulations became effective in July 2012, and additional regulations requiring prior express written consent for certain types of telemarketing calls became effective in October 2013. Our efforts to comply with the TCPA have not had a material impact on traffic conversion rates. However, depending on future traffic and product mix, it could potentially have a material effect on our revenue and profitability, including increasing our and our clients' exposure to enforcement actions and litigation. The changes to the TCPA regulations have resulted in an increase in individual and class action litigation against marketing companies for alleged TCPA violations. Additionally, we generate inquiries from users that provide a phone number, and a significant amount of revenue comes from calls made by our internal call centers as well as, in some cases, by third-party publishers' call centers. We also purchase a portion of inquiry data from third-party publishers and cannot guarantee that these third-parties will comply with the regulations. Any failure by us or the third-party publishers on which we rely for telemarketing, email marketing, and other performance marketing activities to adhere to or successfully implement appropriate processes and procedures in response to existing regulations and changing regulatory requirements could result in legal and monetary liability, significant fines and penalties, or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, our clients may make business decisions based on their own experiences with the TCPA regardless of our products and the changes we implemented to comply with the new regulations. These decisions may negatively affect our revenue or profitability.

In connection with our owned and our third-party publishers' email campaigns to generate traffic for our clients, we are subject to various state and federal laws regulating commercial email communications, including the federal CAN-SPAM Act. For example, in 2012, several of our clients were named defendants in a California Anti-Spam lawsuit relating to commercial emails which allegedly originated from us and our third-party publishers. While the matter was ultimately resolved in our clients' favor, we were nonetheless obligated to indemnify certain of our clients for the fees incurred in the defense of such matter. Further, foreign laws and regulations, such as the Canadian Anti-Spam Law, may also apply to our business activities to the extent we are doing business with or marketing to consumers in foreign jurisdictions. If we or any of our third-party publishers fail to comply with any provisions of these laws or regulations, we could be subject to regulatory investigation, enforcement actions and litigation, as well as indemnification obligations with respect to our clients. Any negative outcomes from such regulatory actions or litigation, including monetary penalties or damages, could have a material adverse effect on our financial condition, results of operation and reputation.

From time to time, we are subject to audits, inquiries, investigations, claims of non-compliance and lawsuits by federal and state governmental agencies, regulatory agencies, attorneys general and other governmental or regulatory bodies, any of whom may allege violations of legal requirements. For our dispositioned assets or businesses, we retain certain liabilities or obligations in connection with our pre-closing actions or omissions, contractual or otherwise. For example, in June 2012, we entered into an Assurance of Voluntary Compliance agreement following a civil investigation into certain of our marketing practices related to our education client vertical that was conducted by the attorneys general of a number of states; and, in the first quarter of fiscal year 2021, we dispositioned our education client vertical. Because our subsidiary CloudControlMedia, LLC ("CCM") provides performance marketing agency and technology services to clients in financial services, education and other markets, we may still be subject to investigations, audits, inquiries, claims or litigation related to education. If any audits, inquiries, investigations, claims of non-compliance and lawsuits by federal and state governmental agencies, regulatory agencies, attorneys general and other governmental or regulatory bodies are unfavorable to us, we may be required to pay monetary fines or penalties or have restrictions placed on our business, which could materially adversely affect our business, financial condition, results of operations and cash flows.

If we fail to continually enhance and adapt our products and services to keep pace with rapidly changing technologies and industry standards, we may not remain competitive and could lose clients or advertising inventory.

The online media and marketing industry is characterized by rapidly changing standards, changing technologies, frequent new or enhanced product and service introductions and changing user and client demands. The introduction of new technologies and services embodying new technologies and the emergence of new industry standards and practices could render our existing technologies and services obsolete and unmarketable or require unanticipated investments in technology. We continually make enhancements and other modifications to our proprietary technologies as well as our product and service offerings. This includes expansion into new categories (e.g., health insurance). Our product changes may contain design or performance defects that are not readily apparent. Expanded category offerings may experience issues as we launch new products and services. If our proprietary technologies or our new or enhanced products and services fail to achieve their intended purpose or are less effective than technologies or products and services used by our competitors, our business could be harmed.

Our future success will depend in part on our ability to successfully adapt to these rapidly changing online media formats and other technologies. If we fail to adapt successfully, we could lose clients or advertising inventory.

Our results of operations have fluctuated in the past and may do so in the future, which makes our results of operations difficult to predict and could cause our results of operations to fall short of analysts' and investors' expectations.

Historically, quarterly and annual results of operations have fluctuated due to changes in our business, our industry and the general economic and regulatory climate. We expect our future results of operations to vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. For example, the COVID-19 pandemic and the Russian-Ukraine military conflict have in the short-run, and may over the longer term, make our results of operations difficult to predict, especially for our credit-driven businesses. Furthermore, changes in monetary or fiscal policy as the result of pandemics, military conflicts or otherwise may have consequences to our businesses, including our credit-driven businesses, which are unprecedented or otherwise difficult to predict. Our fluctuating results of operations could cause our performance and outlook to be below the expectations of securities analysts and investors, causing the price of our common stock to decline. Our business changes and evolves over time, and, as a result, our historical results of operations may not be useful to you in predicting our future results of operations. Factors that may increase the volatility of our results of operations include, but are not limited to, the following:

- changes in client volume;
- loss of or reduced demand by existing clients and agencies;
- the availability and price of quality media;

- consolidation of media sources;
- seasonality;
- development and implementation of our media strategies and client initiatives;
- changes in our revenue mix and shifts in margins related to changes in our media, client, or corporate development strategies;
- changes in interest rates or increasing inflation;
- changes in Internet search engine algorithms that affect our owned and operated and our third-party publishers' websites ability to attract and retain Internet visitors; and
- regulatory and legislative changes, including economic sanctions imposed on governments or other third parties in regions in which we, our third-party publishers or our clients operate, or their interpretation or emphasis, in our and our clients' industries.

As a result of changes in our business model, increased investments, increased expenditures for certain businesses, products, services and technologies, we anticipate fluctuations in our adjusted EBITDA margin.

We have invested and expect to continue to invest in new businesses, products, markets, services and technologies, including more expensive forms of media. For example, we expended significant resources in developing new products and technologies and made strategic outlays in, among other things, partnerships, which in the short term may have the effect of reducing our adjusted EBITDA margin. If we are unsuccessful in our monetization efforts with respect to new products and investments, we may fail to engage and retain users and clients. We may have insufficient revenue to fully offset liabilities and expenses in connection with these new products and investments and may experience inadequate or unpredictable return of capital on our investments. As a result of these new products and investments, we may expect fluctuations in our adjusted EBITDA margin.

To maintain target levels of profitability, from time to time, we may restructure our operations or make other adjustments to our workforce. For example, in November 2016, we announced a corporate restructuring resulting in the reduction of approximately 25% of personnel costs.

Our visitor traffic and our clients' spend can be impacted by interest rate volatility.

Visitor traffic to our online platforms in our lending and banking client verticals may change as interest rates change. A decrease in interest rates may lead to more consumers looking to lower their borrowing costs. These consumers may visit our websites, websites within or outside our publisher network, or our clients' websites. To the extent consumers visit websites not in our network our lending client vertical may be adversely impacted. A decrease in interest rates may also reduce consumer demand for banking products. Interest rate increases may decrease demand for lending products but may not increase demand for banking products. Federal Reserve Board actions, regulations restricting the amount of interest and fees that may be charged to consumers, increased borrower default levels, tightening or uncertainty with respect to underwriting standards, and general market conditions affecting access to credit could also cause significant fluctuations in consumer behavior, as well as volatility in client spending and demand for media, each of which could have a material and adverse effect on our business.

If we fail to compete effectively against other online marketing and media companies and other competitors, we could lose clients and our revenue may decline.

The market for online marketing is intensely competitive, and we expect this competition to continue to increase in the future both from existing competitors and, given the relatively low barriers to entry into the market, from new competitors. We compete both for clients and for high-quality media. We compete for clients on the basis of a number of factors, including return on investment of clients' marketing spending, price and client service.

We compete with Internet and traditional media companies for high quality media and for a share of clients' overall marketing budgets, including:

- online marketing or media services providers such as LendingTree and MediaAlpha in the financial services client vertical;
- offline and online advertising agencies;

- major Internet portals and search engine companies with advertising networks;
- other online marketing service providers, including online affiliate advertising networks and industry-specific portals or performance marketing services companies;
- digital advertising exchanges, real-time bidding and other programmatic buying channels;
- third-party publishers with their own sales forces that sell their online marketing services directly to clients;
- in-house marketing groups and activities at current or potential clients;
- offline direct marketing agencies;
- mobile and social media; and
- television, radio and print companies.

Finding, developing and retaining high quality media on a cost-effective basis is challenging because competition for web traffic among websites and search engines, as well as competition with traditional media companies, has resulted and may continue to result in significant increases in media pricing, declining margins, reductions in revenue and loss of market share. In addition, if we expand the scope of our services, we may compete with a greater number of websites, clients and traditional media companies across an increasing range of different services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. Internet search companies with brand recognition, such as Google, Yahoo! and Bing, have significant numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic that provide a significant competitive advantage and have a significant impact on pricing for Internet advertising and web traffic. Some of these companies may offer or develop more vertically targeted products that match users with products and services and, thus, compete with us more directly. The trend toward consolidation in online marketing may also affect pricing and availability of media inventory and web traffic. Many of our current and potential competitors also have other competitive advantages over us, such as longer operating histories, greater brand recognition, larger client bases, greater access to advertising inventory on high-traffic websites and significantly greater financial, technical and marketing resources. As a result, we may not be able to compete successfully. Competition from other marketing service providers' online and offline offerings has affected and may continue to affect both volume and price, and, thus, revenue, profit margins and profitability. If we fail to deliver results that are superior to those that other online marketing service providers deliver to clients, we could lose clients and market share, and our revenue may decline.

Many people are using mobile devices to access the Internet. If we fail to optimize our websites for mobile access with respect to user interfaces, we may not remain competitive and could lose clients or visitors to our websites.

The number of people who access the Internet through mobile devices such as smart phones and tablets has increased dramatically in the past several years, and we expect the trend to continue. Our online marketing services and content were originally designed for desktop or laptop computers. The shift from desktop or laptop computers to mobile devices could potentially deteriorate the user experience for visitors to our websites and may make it more difficult for visitors to respond to our offerings. For example, a user's experience on a mobile device with respect to user interfaces such as an online marketing website and content originally designed for desktop or laptop computers will be suboptimal unless such website and content are designed to accommodate and improve mobile access to ensure a positive user experience. It also requires us to develop new product offerings specifically designed for mobile devices, such as social media advertising opportunities. If we fail to optimize our websites cost effectively and improve the monetization capabilities of our mobile marketing services, we may not remain competitive, which may negatively affect our business and results of operations.

Third-party publishers, strategic partners, vendors or their respective affiliates may engage in unauthorized or unlawful acts that could subject us to significant liability or cause us to lose clients and revenue.

We generate a significant portion of our web visitors from online media that we source directly from our third-party publishers' and strategic partners' owned and operated websites, as well as indirectly from the affiliates of our third-party publishers and strategic partners. We also rely on third-party call centers and email marketers. Some of these third-parties, strategic partners, vendors and their respective affiliates are authorized to use our clients' brands, subject to contractual restrictions. Any activity by third-party publishers, strategic partners, vendors or their respective affiliates which violates the marketing guidelines of our clients or that clients view as potentially damaging to their brands (e.g., search engine bidding on client trademarks), whether or not permitted by our contracts with our clients, could harm our relationship with the client and cause the client to terminate its relationship with us, resulting in a loss of revenue. Moreover, because we do not have a direct contractual relationship with the affiliates of our third-party publishers and strategic partners, we may not be able to monitor the compliance activity of such affiliates. If we are unable to cause our third-party publishers and strategic partners to monitor and enforce our clients' contractual restrictions on such affiliates, our clients may terminate their relationships with us or decrease their marketing budgets with us. In addition, we may also face liability for any failure of our third-party publishers, strategic partners, vendors or their respective affiliates to comply with regulatory requirements, as further described in the risk factor beginning, "*Negative changes in the market conditions and the regulatory environment have had in the past, and may in the future have, a material and adverse impact on our revenue, business and growth.*"

The law is unsettled on the extent of liability that an advertiser in our position has for the activities of third-party publishers, strategic partners or vendors. In addition, certain of our contracts impose liability on us, including indemnification obligations, for the acts of our third-party publishers, strategic partners or vendors. We could be subject to costly litigation and, if we are unsuccessful in defending ourselves, we could incur damages for the unauthorized or unlawful acts of third-party publishers, strategic partners or vendors.

If we are unable to collect our receivables from our clients, our results of operations and cash flows could be adversely affected.

We expect to obtain payment from our clients for work performed and maintain an allowance against receivables for potential losses on client accounts. Actual losses on client receivables could differ from those that we currently anticipate and, as a result, we might need to adjust our allowances. We may not accurately assess the creditworthiness of our clients. Macroeconomic conditions, such as any evolving industry standards, economic downturns, changing regulatory conditions and changing visitor and client demands, could also result in financial difficulties for our clients, including insolvency or bankruptcy. As a result, this could cause clients to delay payments to us, request modifications to their payment arrangements that could extend the timing of cash receipts or default on their payment obligations to us. For example, in the third quarter of fiscal year 2019, we recorded a one-time charge of $8.7 million for bad debt expense related to a large former education client, which arose in part due to the U.S. Department of Education restricting one of its for-profit schools from participating in Title IV programs. If we experience an increase in the time to bill and collect for our services, our results of operations and cash flows could be adversely affected.

We rely on certain advertising agencies for the purchase of various advertising and marketing services on behalf of their clients. Such agencies may have or develop high-risk credit profiles, which may result in credit risk to us.

A portion of our client business is sourced through advertising agencies and, in many cases, we contract with these agencies and not directly with the underlying client. Contracting with these agencies subjects us to greater credit risk than when we contract with clients directly. In many cases, agencies are not required to pay us unless and until they are paid by the underlying client. In addition, many agencies are thinly capitalized and have or may develop high-risk credit profiles. This credit risk may vary depending on the nature of an agency's aggregated client base. If an agency were to become insolvent, or if an underlying client did not pay the agency, we may be required to write off account receivables as bad debt. Any such write-offs could have a materially negative effect on our results of operations for the periods in which the write-offs occur.

If we do not effectively manage any future growth or if we are not able to scale our products or upgrade our technology or network hosting infrastructure quickly enough to meet our clients' needs, our operating performance will suffer and we may lose clients.

We have experienced growth in our operations and operating locations during certain periods of our history. This growth has placed, and any future growth may continue to place, significant demands on our management and our operational and financial infrastructure. Growth, if any, may make it more difficult for us to accomplish the following:

- successfully scaling our technology to accommodate a larger business and integrate acquisitions, including our acquisitions of Modernize, Inc. (“Modernize”), Mayo Labs, LLC (“Mayo Labs”) and FC Ecosystem, LLC (“FCE”) completed in fiscal year 2021, and the acquisitions of AmOne Corp. (“AmOne”), CloudControlMedia, LLC (“CCM”) and MyBankTracker.com, LLC (“MBT”) completed in fiscal year 2019;
- maintaining our standing with key vendors, including Internet search companies and third-party publishers;
- maintaining our client service standards; and
- developing and improving our operational, financial and management controls and maintaining adequate reporting systems and procedures.

Our future success depends in part on the efficient performance of our software and technology infrastructure. As the numbers of websites and Internet users increase, our technology infrastructure may not be able to meet the increased demand. Unexpected constraints on our technology infrastructure could lead to slower website response times or system failures and adversely affect the availability of websites and the level of user responses received, which could result in the loss of clients or revenue or harm to our business and results of operations.

In addition, our personnel, systems, procedures and controls may be inadequate to support our future operations. The improvements required to manage growth may require us to make significant expenditures, expand, train and manage our employee base, and reallocate valuable management resources. We may spend substantial amounts to purchase or lease data centers and equipment, upgrade our technology and network infrastructure to handle increased traffic on our owned and operated websites and roll out new products and services. Any such expansion could be expensive and complex and could result in inefficiencies or operational failures. If we do not implement such expansion successfully, or if we experience inefficiencies and operational failures during its implementation, the quality of our products and services and our users’ experience could decline. This could damage our reputation and cause us to lose current and potential users and clients. The costs associated with these adjustments to our architecture could harm our operating results. Accordingly, if we fail to effectively manage any future growth, our operating performance will suffer, and we may lose clients, key vendors and key personnel.

Interruption or failure of our information technology and communications systems could impair our ability to effectively deliver our services, which could cause us to lose clients and harm our results of operations.

Our delivery of marketing and media services depends on the continuing operation of our technology infrastructure and systems. Any damage to or failure of our systems could result in interruptions in our ability to deliver offerings quickly and accurately or process visitors’ responses emanating from our various web presences. Interruptions in our service could reduce our revenue and profits, and our reputation could be damaged if users or clients perceive our systems to be unreliable. Our systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, or other natural disasters, power loss, terrorist attacks, break-ins, hardware or software failures, telecommunications failures, cyber-attacks, computer viruses or other attempts to harm our systems, and similar events. If the third-party data centers that we utilize were to experience a major power outage, we would have to rely on their back-up generators. These back-up generators may not operate properly through a major power outage and their fuel supply could also be inadequate during a major power outage or disruptive event. Furthermore, we do not currently have backup generators at our Foster City, California headquarters. Information systems such as ours may be disrupted by even brief power outages, or by the fluctuations in power resulting from switches to and from back-up generators. This could give rise to obligations to certain of our clients which could have an adverse effect on our results of operations for the period of time in which any disruption of utility services to us occurs.

We use two third-party colocation data centers; one in San Francisco, California and the other in Las Vegas, Nevada. We have implemented this infrastructure to minimize the risk associated with earthquakes, fire, power loss, telecommunications failure, and other events beyond our control at any single location; however, these services may fail or may not be adequate to prevent losses.

Any unscheduled interruption in our service would result in an immediate loss of revenue. If we experience frequent or persistent system failures, the attractiveness of our technologies and services to clients and third-party publishers could be permanently harmed. The steps we have taken to increase the reliability and redundancy of our systems are expensive, reduce our operating margin and may not be successful in reducing the frequency or duration of unscheduled interruptions.

Acquisitions, investments and divestitures could complicate operations, or could result in dilution and other harmful consequences that may adversely impact our business and results of operations.

Acquisitions have historically been, and continue to be, an important element of our overall corporate strategy and use of capital. In addition, although we announced that we paused our financial advisor-led review of strategic alternatives due in large part to market uncertainties as a result of the COVID-19 pandemic, we regularly review and assess strategic alternatives in the ordinary course of business, including potential acquisitions, investments or divestitures. These potential strategic alternatives may result in a wide array of potential strategic transactions that could be material to our financial condition and results of operations. For example, we acquired Modernize, Mayo Labs and FCE in fiscal year 2021, and acquired AmOne, CCM and MBT in fiscal year 2019. Furthermore, we divested our education client vertical in fiscal year 2021, and we divested our B2B client vertical, our businesses in Brazil consisting of QuinStreet Brasil Online Marketing e Midia Ltda ("QSB") and VEMM, LLC ("VEMM") along with its interests in EDB, and our mortgage client vertical in the second half of fiscal year 2020.

Acquisitions, investments or divestitures, and the process of evaluating strategic alternatives, involves a number of risks and uncertainties. For example, the process of integrating an acquired company, business or technology has in the past created, and may create in the future, unforeseen operating challenges, risks and expenditures, including with respect to: (i) integrating an acquired company's accounting, financial reporting, management information and information security, human resource, and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented; (ii) integrating the controls, procedures and policies at companies we acquire appropriate for a public company; and (iii) transitioning the acquired company's operations, users and customers onto our existing platforms. The success of our acquisitions and other investments will depend in part on our ability to successfully integrate and leverage them to enhance our existing products and services or develop compelling new ones. It may take longer than expected to realize the full benefits from these acquisitions or investments, such as increased revenue, enhanced efficiencies, or increased market share, or the benefit may ultimately be smaller than we expected. Our failure to address these risks or other problems encountered in connection with our acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally.

In addition, evaluating, negotiating and completing strategic transactions, including acquisitions, investments or divestitures, may distract management from our other businesses and result in significant expenses. Moreover, we may invest significant resources towards evaluating and negotiating strategic alternatives that do not ultimately result in a strategic transaction.

Our acquisitions or investments could also result in dilutive issuances of our equity securities, the incurrence of debt or deferred purchase price obligations, contingent liabilities, amortization expense, impairment of goodwill or restructuring charges, any of which could harm our financial condition or results. For example, under our acquisition agreement with MBT, we are required to pay $4.0 million in post-closing payments and an estimated fair value of contingent consideration of $1.5 million of which the contingent consideration was paid off in the third quarter of fiscal year 2020. Under our acquisition agreement with CCM, we are required to pay $7.5 million in post-closing payments and an estimated fair value of contingent consideration of $3.6 million. Under our acquisition agreement with AmOne, we are required to pay $8.0 million in post-closing payments. Under our acquisition agreement with Modernize, we are required to pay $27.5 million in post-closing payments. Under our acquisition agreement with Mayo Labs, we are required to pay $2.0 million in post-closing payments. Under our acquisition agreement with FCE, we are required to pay $4.0 million in post-closing payments and contingent consideration of up to an additional $9.0 million. Also, the anticipated benefit of many of our strategic transactions, including anticipated synergies, may not materialize. Employee retention may be adversely impacted as the result of acquisitions, and our ability to manage across multiple remote locations and business cultures could adversely affect the realization of anticipated benefits. In connection with a disposition of assets or a business, we may also agree to provide indemnification for certain potential liabilities or retain certain liabilities or obligations, which may adversely impact our financial condition or results.

We rely on call centers, Internet and data center providers, and other third-parties for key aspects of the process of providing services to our clients, and any failure or interruption in the services and products provided by these third-parties could harm our business.

We rely on internal and third-party call centers as well as third-party vendors, data centers and Internet providers. Notwithstanding disaster recovery and business continuity plans and precautions instituted to protect our clients and us from events that could interrupt delivery of services, there is no guarantee that such interruptions would not result in a prolonged interruption in our ability to provide services to our clients. Any temporary or permanent interruption in the services provided by our call centers or third-party providers could significantly harm our business.

In addition, any financial or other difficulties our third-party providers face may have negative effects on our business, the nature and extent of which we cannot predict. Other than our data privacy and security assessment processes, we exercise little control over our third-party vendors, which increases our vulnerability to problems with the services they provide. We license technology and related databases from third-parties to facilitate analysis and storage of data and delivery of offerings. We have experienced interruptions and delays in service and availability for data centers, bandwidth and other technologies in the past. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and services could adversely affect our business and could expose us to liabilities to third-parties.

Our quarterly revenue and results of operations may fluctuate significantly from quarter to quarter due to fluctuations in advertising spending, including seasonal and cyclical effects.

In addition to other factors that cause our results of operations to fluctuate, results are also subject to significant seasonal fluctuation. In particular, our quarters ending December 31 (our second fiscal quarter) are typically characterized by seasonal weakness. During that quarter, there is generally lower availability of media during the holiday period on a cost-effective basis and some of our clients have lower budgets. In our quarters ending March 31 (our third fiscal quarter), this trend generally reverses with better media availability and often new budgets at the beginning of the year for our clients with fiscal years ending December 31. Moreover, our lending clients' businesses are subject to seasonality. For example, our clients that offer home services products are historically subject to seasonal trends. These trends reflect the general patterns of the home services industry, which typically peak in the spring and summer seasons. Other factors affecting our clients' businesses include macro factors such as credit availability, the strength of the economy and employment. Any of the foregoing seasonal trends, or the combination of them, may negatively impact our quarterly revenue and results of operations.

Furthermore, advertising spend on the Internet, similar to traditional media, tends to be cyclical and discretionary as a result of factors beyond our control, including budgetary constraints and buying patterns of clients, as well as economic conditions affecting the Internet and media industry. For example, weather and other events have in the past led to short-term increases in insurance industry client loss ratios and damage or interruption in our clients' operations, either of which can lead to decreased client spend on online performance marketing. In addition, inherent industry specific risks (e.g., insurance industry loss ratios and cutbacks) and poor macroeconomic conditions as well as other short-term events could decrease our clients' advertising spending and thereby have a material adverse effect on our business, financial condition, operating results and cash flows.

If the market for online marketing services fails to continue to develop, our success may be limited, and our revenue may decrease.

The online marketing services market is relatively new and rapidly evolving, and it uses different measurements from traditional media to gauge its effectiveness. Some of our current or potential clients have little or no experience using the Internet for advertising and marketing purposes and have allocated only limited portions of their advertising and marketing budgets to the Internet. The adoption of online marketing, particularly by those companies that have historically relied upon traditional media for advertising, requires the acceptance of a new way of conducting business, exchanging information and evaluating new advertising and marketing technologies and services.

In particular, we are dependent on our clients' adoption of new metrics to measure the success of online marketing campaigns with which they may not have prior experience. Certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business. We present key metrics such as cost-per-click, cost-per-lead and cost-per-acquisition, some of which are calculated using internal data. We periodically review and refine some of our methodologies for monitoring, gathering and calculating these metrics. While our metrics are based on what we believe to be reasonable measurements and methodologies, there are inherent challenges in deriving our metrics. In addition, our user metrics may differ from estimates published by third-parties or from similar metrics of our competitors due to differences in methodology. If clients or publishers do not perceive our metrics to be accurate, or if we discover material inaccuracies in our metrics, it could negatively affect our business model and current or potential clients' willingness to adopt our metrics.

We may also experience resistance from traditional advertising agencies who may be advising our clients. We cannot assure you that the market for online marketing services will continue to grow. If the market for online marketing services fails to continue to develop or develops more slowly than we anticipate, the success of our business may be limited, and our revenue may decrease.

We could lose clients if we fail to detect click-through or other fraud on advertisements in a manner that is acceptable to our clients.

We are exposed to the risk of fraudulent clicks or actions on our websites or our third-party publishers' websites, which could lead our clients to become dissatisfied with our campaigns, and in turn, lead to loss of clients and related revenue. Click-through fraud occurs when an individual clicks on an ad displayed on a website, or an automated system is used to create such clicks, with the intent of generating the revenue-share payment to the publisher rather than viewing the underlying content. Action fraud occurs when online lead forms are completed with false or fictitious information in an effort to increase a publisher's compensable actions. From time to time, we have experienced fraudulent clicks or actions. We do not charge our clients for fraudulent clicks or actions when they are detected, and such fraudulent activities could negatively affect our profitability or harm our reputation. If fraudulent clicks or actions are not detected, the affected clients may experience a reduced return on their investment in our marketing programs, which could lead the clients to become dissatisfied with our campaigns, and in turn, lead to loss of clients and related revenue. Additionally, from time to time, we have had to, and in the future may have to, terminate relationships with publishers whom we believed to have engaged in fraud. Termination of such relationships entails a loss of revenue associated with the legitimate actions or clicks generated by such publishers.

Limitations restricting our ability to market to users or collect and use data derived from user activities by technologies, service providers or otherwise could significantly diminish the value of our services and have an adverse effect on our ability to generate revenue.

When a user visits our websites, we use technologies, including "cookies," to collect information such as the user's IP address. We also have relationships with data partners that collect and provide us with user data. We access and analyze this information in order to determine the effectiveness of a marketing campaign and to determine how to modify the campaign for optimization. The use of cookies is the subject of litigation, regulatory scrutiny and industry self-regulatory activities, including the discussion of "do-not-track" technologies, guidelines and substitutes to cookies. With respect to industry self-regulatory activities, the leading web browsing companies have started or announced their intent to block or phase out third-party cookies from their web browsers. Additionally, users are able to block or delete cookies from their browser. Periodically, certain of our clients and publishers seek to prohibit or limit our collection or use of data derived from the use of cookies.

Furthermore, actions by service providers could restrict our ability to deliver Internet-based advertising. For example, if email service providers ("ESPs") categorize our emails as "promotional," then these emails may be directed to an alternate and less readily accessible section of a consumer's inbox. In the event ESPs materially limit or halt the delivery of our emails, or if we fail to deliver emails to consumers in a manner compatible with ESPs' email handling or authentication technologies, our ability to contact consumers through email could be significantly restricted. In addition, if we are placed on "spam" lists or lists of entities that have been involved in sending unwanted, unsolicited emails, or if internet service providers prioritize or provide superior access to our competitors' content, our business and results of operations may be adversely affected.

Interruptions, failures or defects in our data collection systems, as well as privacy concerns and regulatory changes or enforcement actions affecting our or our data partners' ability to collect user data, could also limit our ability to analyze data from, and thereby optimize, our clients' marketing campaigns. If our access to data is limited in the future, we may be unable to provide effective technologies and services to clients and we may lose clients and revenue.

Risks Related to Our Intellectual Property

If we do not adequately protect our intellectual property rights, our competitive position and business may suffer.

Our ability to compete effectively depends upon our proprietary systems and technology. We rely on patent, trade secret, trademark and copyright law, confidentiality agreements and technical measures to protect our proprietary rights. We enter into confidentiality agreements with our employees, consultants, independent contractors, advisors, client vendors and publishers. These agreements may not effectively prevent unauthorized disclosure of confidential information or unauthorized parties from copying aspects of our services or obtaining and using our proprietary information. For example, past or current employees, contractors or agents may reveal confidential or proprietary information. Further, these agreements may not provide an adequate remedy in the event of unauthorized disclosures or uses, and we cannot assure you that our rights under such agreements will be enforceable. Effective patent, trade secret, copyright and trademark protection may not be available in all countries where we currently operate or in which we may operate in the future. Some of our systems and technologies are not covered by any copyright, patent or patent application. We cannot guarantee that: (i) our intellectual property rights will provide competitive advantages to us; (ii) our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will be effective; (iii) our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak; (iv) any of the patent, trademark, copyright, trade secret or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or abandoned; (v) competitors will not design around our protected systems and technology; or (vi) that we will not lose the ability to assert our intellectual property rights against others.

We have from time to time become aware of third-parties who we believe may have infringed our intellectual property rights. Such infringement or infringement of which we are not yet aware could reduce our competitive advantages and cause us to lose clients, third-party publishers or could otherwise harm our business. Policing unauthorized use of our proprietary rights can be difficult and costly. Litigation, while it may be necessary to enforce or protect our intellectual property rights, could result in substantial costs and diversion of resources and management attention and could adversely affect our business, even if we are successful on the merits. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties.

Third-parties may sue us for intellectual property infringement, which, even if unsuccessful, could require us to expend significant costs to defend or settle.

We cannot be certain that our internally developed or acquired systems and technologies do not and will not infringe the intellectual property rights of others. In addition, we license content, software and other intellectual property rights from third-parties and may be subject to claims of infringement if such parties do not possess the necessary intellectual property rights to the products they license to us.

In addition, we have in the past, and may in the future, be subject to legal proceedings and claims that we have infringed the patents or other intellectual property rights of third-parties. These claims sometimes involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own intellectual property rights, if any, may therefore provide little or no deterrence. For example, in December 2012, Internet Patents Corporation ("IPC") filed a patent infringement lawsuit against us in the Northern District of California alleging that some of our websites infringe a patent held by IPC. IPC is a non-practicing entity that relies on asserting its patents as its primary source of revenue. In addition, third-parties have asserted and may in the future assert intellectual property infringement claims against our clients, and we have agreed in certain circumstances to indemnify and defend against such claims. Any intellectual property-related infringement claims, whether or not meritorious and regardless of the outcome of the litigation, could result in costly litigation, could divert management resources and attention and could cause us to change our business practices. Should we be found liable for infringement, we may be required to enter into licensing agreements, if available on acceptable terms or at all, pay substantial damages, or limit or curtail our systems and technologies. Moreover, we may need to redesign some of our systems and technologies to avoid future infringement liability. Any of the foregoing could prevent us from competing effectively and increase our costs.

Additionally, the laws relating to use of trademarks on the Internet are unsettled, particularly as they apply to search engine functionality. For example, other Internet marketing and search companies have been sued for trademark infringement and other intellectual property-related claims for displaying ads or search results in response to user queries that include trademarked terms. The outcomes of these lawsuits have differed from jurisdiction to jurisdiction. We may be subject to trademark infringement, unfair competition, misappropriation or other intellectual property-related claims which could be costly to defend and result in substantial damages or otherwise limit or curtail our activities, and therefore adversely affect our business or prospects.

As a creator and a distributor of Internet content, we face potential liability and expenses for legal claims based on the nature and content of the materials that we create or distribute, including materials provided by our clients. If we are required to pay damages or expenses in connection with these legal claims, our results of operations and business may be harmed.

We display original content and third-party content on our websites and in our marketing messages. In addition, our clients provide us with advertising creative and financial information (e.g., insurance premium or credit card interest rates) that we display on our owned and operated websites and our third-party publishers' websites. As a result, we face potential liability based on a variety of claims, including defamation, negligence, deceptive advertising, copyright or trademark infringement. We are also exposed to risk that content provided by third-parties or clients is inaccurate or misleading, and for material posted to our websites by users and other third-parties. These claims, whether brought in the United States or abroad, could divert our management's time and attention away from our business and result in significant costs to investigate, defend, and respond to investigative demands, regardless of the merit of these claims. In addition, if we become subject to these types of claims and are not successful in our defense, we may be forced to pay substantial damages.

Risks Related to the Ownership of Our Common Stock

Our stock price has been volatile and may continue to fluctuate significantly in the future, which may lead to you not being able to resell shares of our common stock at or above the price you paid, delisting, securities litigation or hostile or otherwise unfavorable takeover offers.

The trading price of our common stock has been volatile since our initial public offering and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this "Risk Factors" section of this report and other factors such as:

- our ability to grow our revenues and adjusted EBITDA margin and to manage any such growth effectively;
- changes in earnings estimates or recommendations by securities analysts;
- announcements about our revenue, earnings or other financial results, including outlook, that are not in line with analyst expectations;
- geopolitical and predominantly domestic as well as potentially international economic conditions in addition to public health crises such as the COVID-19 pandemic and geopolitical conflicts such as the Russia-Ukraine military conflict and resulting economic sanctions;
- our ability to find, develop or retain high quality targeted media on a cost-effective basis;
- relatively low trading volume in our stock, which creates inherent volatility regardless of factors related to our business performance or prospects;
- the sale of, or indication of the intent to sell, substantial amounts of our common stock by our directors, officers or substantial shareholders;
- stock repurchase programs;
- announcements by us or our competitors of new services, significant contracts, commercial relationships, acquisitions or capital commitments;
- fluctuations in the stock price and operating results of our competitors or perceived competitors that operate in our industries;
- our commencement of, involvement in, or a perceived threat of litigation or regulatory enforcement action; and
- negative publicity about us, our industry, our clients or our clients' industries.

In recent years, the stock market in general, and the market for technology and Internet-based companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. As a result of this volatility, you may not be able to sell your common stock at or above the price paid for the shares. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Moreover, a low or declining stock price may make us attractive to hedge funds and other short-term investors which could result in substantial stock price volatility and cause fluctuations in trading volumes for our stock. A relatively low stock price may also cause us to become subject to an unsolicited or hostile acquisition bid which could result in substantial costs and a diversion of management attention and resources. In the event that such a bid is publicly disclosed, it may result in increased speculation and volatility in our stock price even if our board of directors decides not to pursue a transaction.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or the industries or businesses of our clients. If any of the analysts issue an adverse opinion regarding our stock or if our actual results or forward outlook do not meet analyst estimates, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We cannot guarantee that our stock repurchase program will be fully consummated or that our stock repurchase program will enhance long-term stockholder value, and stock repurchases could increase the volatility of the price of our stock and could diminish our cash reserves.

Our board of directors canceled the prior stock repurchase program that commenced in July 2017 and authorized a new stock repurchase program allowing the repurchase of up to $40.0 million worth of common stock. As of June 30, 2022, approximately $23.1 million remained available for stock repurchases pursuant to the board authorization. The timing and actual number of shares repurchased will depend on a variety of factors including the price, cash availability and other market conditions. The stock repurchase program, authorized by our board of directors, does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The stock repurchase program could affect the price of our stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our stock. The existence of our stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased such shares. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

We may be subject to short selling strategies that may drive down the market price of our common stock.

Short sellers may attempt to drive down the market price of our common stock. Short selling is the practice of selling securities that the seller does not own but may have borrowed with the intention of buying identical securities back at a later date. The short seller hopes to profit from a decline in the value of the securities between the time the securities are borrowed and the time they are replaced. As it is in the short seller's best interests for the price of the stock to decline, many short sellers (sometime known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects to create negative market momentum. Although traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called "research reports" that mimic the type of investment analysis performed by large Wall Street firms and independent research analysts. These short attacks have, in the past, led to selling of shares in the market. Further, these short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S. and they are not subject to certification requirements imposed by the Securities and Exchange Commission. Accordingly, the opinions they express may be based on distortions, omissions or fabrications. Companies that are subject to unfavorable allegations, even if untrue, may have to expend a significant amount of resources to investigate such allegations and/or defend themselves, including shareholder suits against the company that may be prompted by such allegations. We have in the past, and may in the future, be the subject of shareholder suits that we believe were prompted by allegations made by short sellers.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis or effectively prevent fraud could be impaired, which would adversely affect our ability to operate our business.

In order to comply with the Sarbanes-Oxley Act of 2002 ("SOX Act"), our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. All control systems have inherent limitations, and, accordingly, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action.

If we identify material weaknesses in our internal control over financial reporting or otherwise fail to maintain an effective system of internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

We must maintain effective internal control over financial reporting in order to accurately and timely report our results of operations and financial condition. In addition, the SOX Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting as of the end of our fiscal year, and the effectiveness of our disclosure controls and procedures quarterly. If we are not able to comply with the requirements of the SOX Act in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which would diminish investor confidence in our financial reporting and require additional financial and management resources, each of which may adversely affect our business and operating results.

In fiscal years 2017 and 2016, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. While no material weaknesses were identified in our internal control over financial reporting as of June 30, 2022, we cannot assure you that we will not in the future identify material weaknesses. In addition, the standards required for a Section 404 assessment under the SOX Act may in the future require us to implement additional corporate governance practices and adhere to additional reporting requirements. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that are or will be applicable to us as a public company. If we fail to discover material weaknesses in our internal controls or maintain effective internal controls over financial reporting, our business and reputation may be harmed and our stock price may decline.

We may be required to record a significant charge to earnings if our goodwill or intangible assets become impaired.

We have a substantial amount of goodwill and purchased intangible assets on our consolidated balance sheet as a result of acquisitions. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of intangible assets with identifiable useful lives represents the fair value of relationships, content, domain names and acquired technology, among others, as of the acquisition date, and are amortized based on their economic lives. We are required to evaluate our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill that is expected to contribute indefinitely to our cash flows is not amortized, but must be evaluated for impairment at least annually. If necessary, a quantitative test is performed to compare the carrying value of the asset to its estimated fair value, as determined based on a discounted cash flow approach, or when available and appropriate, to comparable market values. If the carrying value of the asset exceeds its current fair value, the asset is considered impaired and its carrying value is reduced to fair value through a non-cash charge to earnings. Events and conditions that could result in impairment of our goodwill and intangible assets include adverse changes in the regulatory environment, a reduced market capitalization or other factors leading to reduction in expected long-term growth or profitability.

Goodwill impairment analysis and measurement is a process that requires significant judgment. Our stock price and any estimated control premium are factors affecting the assessment of the fair value of our underlying reporting units for purposes of performing any goodwill impairment assessment. For example, our public market capitalization sustained a decline after December 31, 2012 and June 30, 2014 to a value below the net book carrying value of our equity, triggering the need for a goodwill impairment analysis. As a result of our goodwill impairment analysis, we recorded a goodwill impairment charge in those periods. Additionally, in the third quarter of fiscal year 2016, our stock price experienced volatility and our public market capitalization decreased to a value below the net book carrying value of our equity, triggering the need for an interim impairment test. While no impairment was recorded as a result of the interim impairment test, it is possible that another material change could occur in the future. We will continue to conduct impairment analyses of our goodwill on an annual basis, unless indicators of possible impairment arise that would cause a triggering event, and we would be required to take additional impairment charges in the future if any recoverability assessments reflect estimated fair values that are less than our recorded values. Further impairment charges with respect to our goodwill could have a material adverse effect on our financial condition and results of operations.

Provisions in our charter documents under Delaware law and in contractual obligations could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have not declared or paid dividends on our common stock and we do not intend to do so in the near term. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock in the near term, and capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

General Risk Factors

We face risks and uncertainties related to the COVID-19 pandemic and its aftermath, which could significantly disrupt our operations and which could have a material adverse impact on our business, financial condition, operating results and cash flows. These risks and uncertainties could pertain to other viruses, pandemics or other such unforeseen and broad-based public health crises.

Our business has been and may continue to be adversely impacted by the effects of COVID-19 and its aftermath. In addition to negative macroeconomic effects on our business, decreased consumer demand for products offered by our clients, and reduced client budgets, the COVID-19 pandemic and any other related adverse public health developments have caused and may further cause declines in revenue and margin, and disruption to our business may continue or worsen over a prolonged period. The businesses of our clients and third-party media publishers (including strategic partners) have also been negatively affected and may continue to be disrupted by reduced demand, consumer creditworthiness, delinquencies, absenteeism, quarantines, economic responses our government is taking to limit the human and economic impact of the COVID-19 pandemic (e.g., stimulus payments) and restrictions on employees' ability to work, office closures and travel or health-related restrictions. In addition, in the aftermath of the pandemic, it may be the case that consumers spend less time researching and comparing online, which could represent decreased demand for the online products and services that we market for our clients. Depending on the magnitude and duration of such disruptions and their effect on client spending and/or the availability of quality media from third-party publishers including strategic partners, our business, financial condition, operating results and cash flows could be adversely affected.

In addition, COVID-19 or other disease outbreaks have in the short-run, and may over the longer term, adversely affect the economies and financial markets within many countries, including in the United States, resulting in economic or financial market instability and could continue to negatively affect marketing and advertising spend in products offered by our clients or on media availability or performance. For example, certain companies that operate in the credit-driven markets such as credit cards and personal loans have seen and may continue to see reductions in near-term demand for our services due to the weakened, or additional weakening of, economic and employment conditions, and the uncertainty over the length and depth of the economic downturn. Such continuing effects of COVID-19, and other similar effects, have resulted and may continue to result in reduced marketing and advertising spend or drops in media availability or performance, which could have a material adverse effect on our business, financial condition, operating results and cash flows. There can be no assurance that any decrease in revenue or margin resulting from COVID-19 will be offset by increased revenue or margin in subsequent periods or that our business, financial condition, operating results and cash flows will remain consistent with pre-pandemic expectations and/or performances.

Furthermore, we may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our sales and marketing activities and our ability to design, develop or deliver our products and services in a timely manner or meet customer commitments, which could have a material adverse impact on our business, financial condition, operating results and cash flows. In addition, we previously announced that we paused our financial advisor-led process to review strategic alternatives in large part due to market uncertainties resulting from the COVID-19 pandemic.

Moreover, to the extent the COVID-19 pandemic or any worsening of the global business and economic environment as a result thereof adversely affects our business, financial condition, operating results and cash flows, it may also have the effect of heightening or exacerbating many of the other risks described in these risk factors, such as those relating to a reduction in online marketing spend by our clients, a loss of clients or lower advertising yields, our dependence on third-party publishers including strategic partners, risks with respect to counterparties, annual and quarterly fluctuations in our results of operations, the impact of interest rate volatility on our visitor traffic, internal control over financial reporting, seasonal fluctuations, our ability to collect our receivables from our clients and risks relating to our ability to raise additional capital when and as needed.

Given that the magnitude and duration of COVID-19's impact on our business and operations remain uncertain, the continued spread of COVID-19 (including the emergence and persistency of variants relating thereto) and the imposition of related public health containment measures and travel and business restrictions could have a material adverse impact on our business, financial condition, operating results and cash flows.

We are subject to risks with respect to counterparties, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

We have entered into, and expect to enter into in the future, various contracts, including contracts with clients, third-party publishers and strategic partners, that subject us to counterparty risks. The ability and willingness of our counterparties to perform their obligations under any contract will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions including any economic downturn, public health crises including the COVID-19 pandemic, specific industry vertical conditions and the overall financial condition of the counterparty. As a result, clients, third-party publishers or strategic partners may seek to renegotiate the terms of their existing agreements with us, terminate their agreements with us for convenience (where permitted) or avoid performing their obligations under those agreements. Should a counterparty fail to honor its contractual obligations with us or terminate its agreements with us for convenience (where permitted), we could sustain significant losses or write-offs, or we could be involved in costly litigation to defend, enforce and protect our contractual rights, both of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We rely on our management team and other key employees, and the loss of one or more key employees could harm our business.

Our success and future growth depend upon the continued services of our management team, including Douglas Valenti, Chief Executive Officer, and other key employees in all areas of our organization. From time to time, there may be changes in our key employees resulting from the hiring or departure of executives and employees, which could disrupt our business. We have, in the past, experienced declines in our business and a depressed stock price, making our equity and cash incentive compensation programs less attractive to current and potential key employees. If we lose the services of key employees or if we are unable to attract and retain additional qualified employees, our business and growth could suffer.

Damage to our reputation could harm our business, financial condition and results of operations.

Our business is dependent on attracting a large number of visitors to our owned and operated and our third-party publishers' websites and providing inquiries in the form of clicks, leads, calls, applications and customers to our clients, which depend in part on our reputation within the industry and with our clients. Certain other companies within our industry have in the past engaged in activities that others may view as unlawful or inappropriate. These activities by third-parties, such as spyware or deceptive promotions, may be seen as characteristic of participants in our industry and may therefore harm the reputation of all participants in our industry, including us.

Our ability to attract visitors and, thereby, potential customers to our clients, also depends in part on our clients providing competitive levels of customer service, responsiveness and prices to such visitors. If our clients do not provide competitive levels of service to visitors, our reputation and therefore our ability to attract additional clients and visitors could be harmed.

In addition, from time to time, we may be subject to investigations, inquiries or litigation by various regulators, which may harm our reputation regardless of the outcome of any such action. For example, in 2012 we responded to a civil investigation conducted by the attorneys general of a number of states into certain of our former education client vertical marketing and business practices resulting in us entering into an Assurance of Voluntary Compliance agreement. Negative perceptions of our business may result in additional regulation, enforcement actions by the government and increased litigation, or harm to our ability to attract or retain clients, third-party publishers or strategic partners, any of which may affect our business and result in lower revenue.

Any damage to our reputation, including from publicity from legal proceedings against us or companies that work within our industry, governmental proceedings, users impersonating or scraping our websites, unfavorable media coverage, consumer class action litigation, or the disclosure of information security breaches or private information misuse, could adversely affect our business, financial condition and results of operations.

We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available or may not be available on favorable terms and our business and financial condition could therefore be adversely affected.

While we anticipate that our existing cash and cash equivalents and cash we expect to generate from future operations will be sufficient to fund our operations for at least the next 12 months, we may need to raise additional capital, including debt capital, to fund operations in the future or to finance acquisitions. If we seek to raise additional capital in order to meet various objectives, including developing future technologies and services, increasing working capital, acquiring businesses, and responding to competitive pressures, capital may not be available on favorable terms or may not be available at all. Lack of sufficient capital resources could significantly limit our ability to take advantage of business and strategic opportunities. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute our stock ownership. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy, including potential additional acquisitions or development of new technologies.

We may face additional risks in conducting business in international markets.

We have entered into and exited certain international markets and may enter into international markets in the future, including through acquisitions. We have limited experience in marketing, selling and supporting our services outside of the United States, and we may not be successful in introducing or marketing our services abroad.

There are risks and challenges inherent in conducting business in international markets, such as:

- adapting our technologies and services to foreign clients' preferences and customs;
- successfully navigating foreign laws and regulations, including marketing, privacy regulations, employment and labor regulations;
- changes in foreign political and economic conditions, including as a result of the Russia-Ukraine military conflict;
- tariffs and other trade barriers, fluctuations in currency exchange rates and potentially adverse tax consequences;
- language barriers or cultural differences;
- reduced or limited protection for intellectual property rights in foreign jurisdictions;
- difficulties and costs in staffing, managing or overseeing foreign operations;
- education of potential clients who may not be familiar with online marketing;
- challenges in collecting accounts receivables;
- monitoring and complying with economic sanctions, including those resulting from the Russia-Ukraine military conflict; and
- successfully interpreting and complying with the U.S. Foreign Corrupt Practices Act and similar foreign anti-bribery laws, particularly when operating in countries with varying degrees of governmental corruption.

If we are unable to successfully expand and market our services abroad, our business and future growth may be harmed, and we may incur costs that may not lead to future revenue.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our principal executive office is located in a leased facility in Foster City, California, consisting of approximately 44,556 square feet of office space under a lease with an expiration date in October 2023. This facility accommodates our principal engineering, sales, marketing, operations, finance and administrative activities. We also lease additional facilities to accommodate sales, marketing, and operations throughout the United States. Outside of the United States, we also lease facilities to accommodate engineering and operations in India.

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 business. Certain of our outstanding legal matters include claims for indeterminate amounts of damages. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of pending or threatened legal proceedings to which we are a party, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations and cash flows. However, the outcome of such legal matters is subject to significant uncertainties.

Item 4. ***Mine Safety Disclosures***

Not Applicable.

PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol QNST. The following table shows the high and low sale prices per share of our common stock as reported on the Nasdaq Global Select Market for the periods indicated:

Fiscal Year Ended June 30, 2022	High	Low
First quarter ended September 30, 2021	$ 19.06	$ 16.13
Second quarter ended December 31, 2021	$ 18.60	$ 13.28
Third quarter ended March 31, 2022	$ 18.49	$ 10.45
Fourth quarter ended June 30, 2022	$ 12.25	$ 8.55

Fiscal Year Ended June 30, 2021	High	Low
First quarter ended September 30, 2020	$ 15.84	$ 10.10
Second quarter ended December 31, 2020	$ 22.34	$ 15.59
Third quarter ended March 31, 2021	$ 24.76	$ 19.70
Fourth quarter ended June 30, 2021	$ 21.18	$ 17.59

On August 15, 2022, the closing price as reported on the Nasdaq Global Select Market of our common stock was $12.63 per share and we had approximately 42 stockholders of record of our common stock.

We have never declared or paid, and do not anticipate declaring or paying, any dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

For equity compensation plan information refer to Item 12 in Part III of this Annual Report on Form 10-K.

Stock Repurchase Program

In April 2022, the Board of Directors canceled the prior stock repurchase program that commenced in July 2017 and authorized a new stock repurchase program allowing us to repurchase up to $40.0 million of our outstanding shares of common stock. Repurchases under this program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. 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.

The following table summarizes the stock repurchase activity that took place in the open market during the fourth quarter of fiscal year 2022:

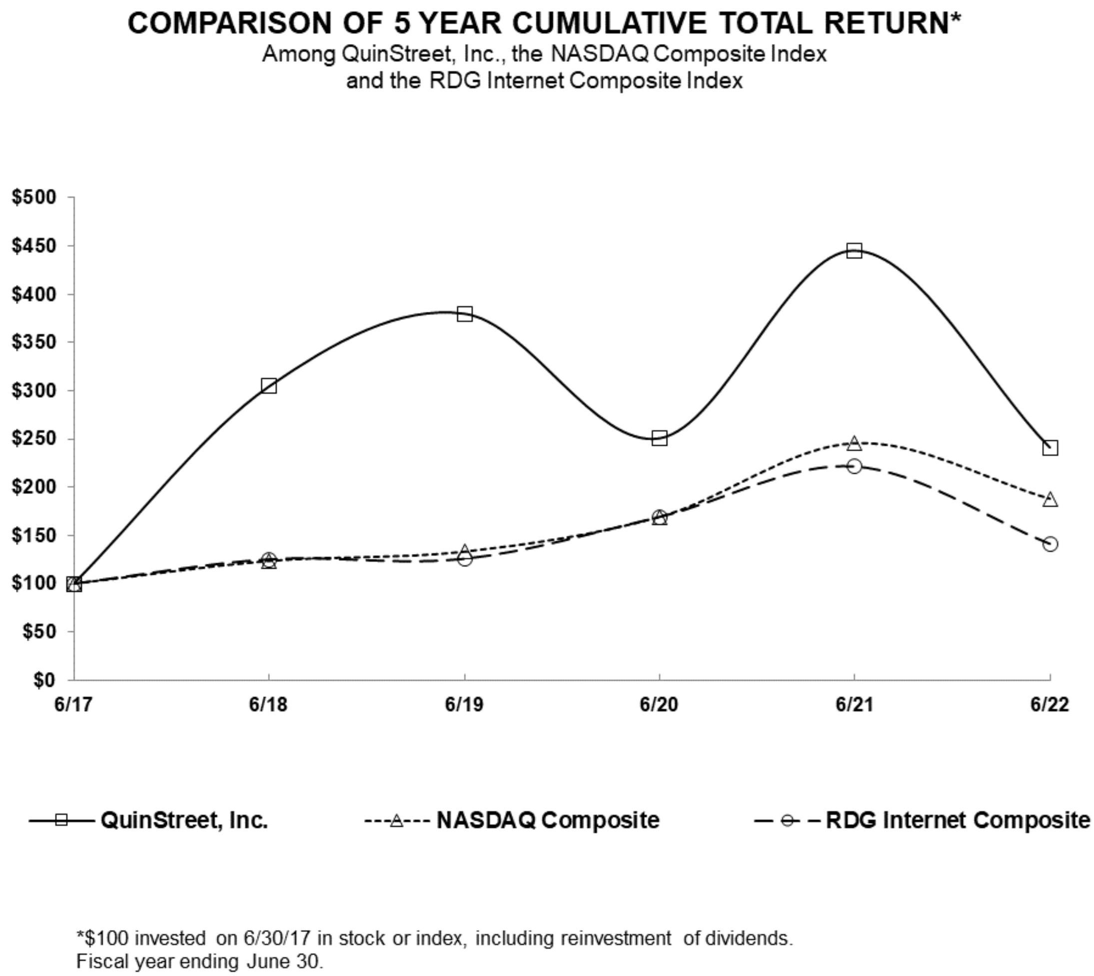
Period	Total Number of Shares Purchased	Average Price Paid Per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares May Yet Be Purchased Under the Share Repurchase Program
April 1, 2022 - April 30, 2022	—	$ —	—	$ 40,000,000
May 1, 2022 - May 31, 2022	964,222	10.20	964,222	30,140,245
June 1, 2022 - June 30, 2022	687,821	10.28	687,821	23,050,108
Total	1,652,043	$ 10.23	1,652,043	

(1) Excludes $0.03 per share broker commission.

Performance Graph

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

The following performance graph shows a comparison from June 30, 2017 through June 30, 2022 of cumulative total return for our common stock, the Nasdaq Composite Index and the RDG Internet Composite Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the Nasdaq Composite Index and the RDG Internet Composite Index assume reinvestment of dividends.



Recent Sales of Unregistered Securities

There were no unregistered sales of our equity securities in fiscal year 2022.

Item 6. ***Selected Consolidated Financial Data***

The following selected consolidated financial data should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with the consolidated financial statements and accompanying notes appearing elsewhere in this report. The selected consolidated financial data in this section is not intended to replace our consolidated financial statements and the accompanying notes. The results of acquired businesses have been included in our consolidated financial statements since their respective dates of acquisition. Our historical results are not necessarily indicative of our future results and any interim results are not necessarily indicative of the results for a full fiscal year.

We derived the consolidated statements of operations data for fiscal years ended June 30, 2022, 2021 and 2020 and the consolidated balance sheets data as of June 30, 2022 and 2021 from our audited consolidated financial statements appearing elsewhere in this report. The consolidated statements of operations data for fiscal years ended June 30, 2019 and 2018 and the consolidated balance sheets data as of June 30, 2020, 2019 and 2018 are derived from our audited consolidated financial statements, which are not included in this report.

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Net revenue	$ 582,099	$ 578,487	$ 490,339	$ 455,154	$ 404,358
Cost of revenue [(1)]	528,368	507,956	437,864	393,509	345,947
Gross profit	53,731	70,531	52,475	61,645	58,411
Operating expenses: [(1)]					
Product development	21,906	19,344	14,206	12,329	13,805
Sales and marketing	11,042	10,991	8,876	8,755	10,414
General and administrative	25,501	26,270	23,188	29,834	18,556
Total operating expenses	58,449	56,605	46,270	50,918	42,775
Operating (loss) income	(4,718)	13,926	6,205	10,727	15,636
Interest income	10	39	230	290	181
Interest expense	(1,075)	(1,296)	(696)	(367)	—
Other income, net	21	16,660	12,947	69	687
Interest and other (expense) income, net	(1,044)	15,403	12,481	(8)	868
(Loss) income before income taxes	(5,762)	29,329	18,686	10,719	16,504
Benefit from (provision for) income taxes	514	(5,774)	(584)	51,761	(574)
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102	$ 62,480	$ 15,930
Net (loss) income per share: [(2)]					
Basic	$ (0.10)	$ 0.44	$ 0.35	$ 1.26	$ 0.34
Diluted	$ (0.10)	$ 0.43	$ 0.34	$ 1.18	$ 0.32
Weighted-average shares used in computing net (loss) income per share:					
Basic	54,339	53,166	51,529	49,581	46,417
Diluted	54,339	55,129	53,387	52,754	49,872

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

Cost of revenue	$ 7,475	$ 8,997	$ 8,569	$ 7,354	$ 3,982
Product development	2,575	2,339	1,819	1,606	1,949
Sales and marketing	2,378	2,459	1,701	1,358	1,222
General and administrative	6,078	5,838	4,628	3,810	3,029

(2) See Note 4, *Net (Loss) Income per Share*, to our consolidated financial statements for an explanation of the method used to calculate basic and diluted net (loss) income per share of common stock.

	June 30,				
	2022	2021	2020	2019	2018
	(In thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 96,439	$ 110,318	$ 107,509	$ 62,522	$ 64,700
Working capital	73,213	90,565	99,735	59,679	69,592
Total assets	419,909	449,515	358,407	324,611	220,296
Long-term liabilities	24,330	38,756	16,626	18,083	3,938
Total stockholders' equity	286,000	295,148	255,944	222,829	148,326

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
			(In thousands)		
Consolidated Statements of Cash Flows Data:					
Net cash provided by operating activities	$ 28,672	$ 50,615	$ 47,608	$ 37,965	$ 26,979
Depreciation and amortization	16,961	16,201	11,476	8,975	7,767
Capital expenditures	2,842	1,969	1,962	1,972	610

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
			(In thousands)		
Other Financial Data:					
Adjusted EBITDA [1]	$ 31,030	$ 52,188	$ 36,229	$ 34,489	$ 34,679

(1) We define adjusted EBITDA as net (loss) income less interest and other expense (income), net, (benefit from) provision for income taxes, depreciation expense, amortization expense, stock-based compensation expense, acquisition and divestiture costs, gain on divestitures of businesses, net, strategic review costs, contingent consideration adjustment, litigation settlement expense, tax settlement expense, external expenses related to the material weakness disclosed in our FY 2017 Annual Report on Form 10-K, and restructuring costs.

We include adjusted EBITDA in this report 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 management 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 management assesses 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.

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 and certain other items that we do not believe are indicative of our core operating activities (such as acquisition and divestiture related expense, gain or loss on divestitures of businesses, strategic review costs, contingent consideration adjustment, litigation settlement expense, tax settlement expense, restructuring costs, and other expense, net) and the non-cash impact of depreciation expense, amortization expense and stock-based compensation expense.

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. Our use of adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect our cash expenditures for capital equipment or other contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of issuing stock-based compensation to our management team and employees;
- should we enter into borrowing arrangements in the future, adjusted EBITDA does not reflect the interest expense or the cash requirements that may be necessary to service interest or principal payments on such indebtedness;
- adjusted EBITDA does not reflect certain tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA measures differently, which reduces their usefulness as a comparative measure.

Due to these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. When evaluating our performance, adjusted EBITDA should be considered alongside other financial performance measures, including various cash flow metrics, net (loss) income and our other GAAP results.

The following table presents a reconciliation of adjusted EBITDA to net (loss) income calculated in accordance with U.S. generally accepted accounting principles (GAAP), the most comparable GAAP measure, for each of the periods indicated:

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
			(In thousands)		
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102	$ 62,480	$ 15,930
Interest and other expense (income), net	1,044	1,212	1,097	8	(868)
(Benefit from) provision for income taxes	(514)	5,774	584	(51,761)	574
Depreciation and amortization	16,961	16,201	11,476	8,975	7,767
Stock-based compensation expense	18,506	19,633	16,717	14,128	10,182
Acquisition and divestiture costs	519	811	985	736	667
Gain on divestitures of businesses, net	—	(16,615)	(13,578)	—	—
Strategic review costs	—	—	330	—	—
Contingent consideration adjustment	(926)	—	—	(100)	(152)
Litigation settlement expense	34	231	95	23	16
Tax settlement expense	516	310	—	—	—
Material weakness related expense	—	—	—	—	563
Restructuring costs	138	1,076	421	—	—
Adjusted EBITDA	$ 31,030	$ 52,188	$ 36,229	$ 34,489	$ 34,679

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in the sections titled "Cautionary Note on Forward-Looking Statements" and "Risk Factors."

Management Overview

We are a leader in performance marketplaces and technologies for the financial services and home services industries. We specialize in customer acquisition for clients in high value, information-intensive markets or "verticals," including financial services and home services. Our clients include some of the world's largest companies and brands in those markets. The majority of our operations and revenue are in North America.

We deliver measurable and cost-effective marketing results to our clients, typically in the form of qualified inquiries such as clicks, leads, calls, applications, or customers. Clicks, leads, calls, and applications can then convert into a customer or sale for clients at a rate that results in an acceptable marketing cost to them. We are typically paid by clients when we deliver qualified inquiries in the form of clicks, leads, calls, applications, or customers, as defined by our agreements with them. References to the delivery of customers means a sale or completed customer transaction (e.g., funded loans, bound insurance policies or customer appointments with clients). Because we bear the costs of media, our programs must result in attractive marketing costs to our clients at media costs and margins that provide sound financial outcomes for us. To deliver clicks, leads, calls, applications, and customers to our clients, generally we:

- own or access targeted media through business arrangements (e.g., revenue sharing arrangements with online publisher partners, large and small) or by purchasing media (e.g., clicks from major search engines);
- run advertisements or other forms of marketing messages and programs in that media that result in consumer or visitor responses, typically in the form of clicks (by a consumer to further qualification or matching steps, or to online client applications or offerings), leads (e.g., consumer contact information), calls (from a consumer or to a consumer by our owned and operated or contracted call centers or by that of our clients or their agents), applications (e.g., for enrollment or a financial product), or customers (e.g., funded personal loans); and
- continuously seek to display clients and client offerings to visitors or consumers that result in the maximum number of consumers finding solutions that can meet their needs and to which they will take action to respond, resulting in media buying efficiency (e.g., by segmenting media or traffic so that the most appropriate clients or client offerings can be displayed or "matched" to each segment based on fit, response rates or conversion rates);
- through technology and analytics, seek to optimize combination of objectives to satisfy the maximum number of shopping or researching visitors or consumers, deliver on client marketing objectives, effectively compete for online media, and generate a sound financial outcome for us.

Our primary financial objective has been and remains creating revenue growth from sustainable sources, at target levels of profitability. Our primary financial objective is not to maximize short-term profits, but rather to achieve target levels of profitability while investing in various growth initiatives, as we continue to believe we are in the early stages of a large, long-term market opportunity.

Our business derives its net revenue primarily from fees earned through the delivery of qualified inquiries such as clicks, leads, calls, applications, or customers. Through a vertical focus, targeted media presence and our technology platform, we are able to deliver targeted, measurable marketing results to our clients.

Our financial services client vertical represented 72%, 74% and 75% of net revenue in fiscal years 2022, 2021 and 2020. Our home services client vertical represented 27%, 23% and 10% of net revenue in fiscal years 2022, 2021 and 2020. Other revenue, which primarily includes our performance marketing agency and technology services, represented 1% of net revenue in fiscal years 2022 and 2021. In addition, revenue recognized from our divested businesses (including our former education client vertical, business-to-business technology client vertical, mortgage business, and Brazil businesses) represented 0%, 2% and 15% of net revenue for fiscal years 2022, 2021 and 2020. See Note 7, *Divestitures*, to our consolidated financial statements for more information related to the divestitures. We generated the majority of our revenue from sales to clients in the United States.

Trends Affecting our Business

Client Verticals

Our financial services client vertical has been challenged by a number of factors in the past, including the limited availability of high quality media at acceptable margins caused by the acquisition of media sources by competitors, increased competition for high quality media and changes in search engine algorithms. These factors may impact our business in the future again. To offset this impact, we have enhanced our product set to provide greater segmentation, matching, transparency and right pricing of media that have enabled better monetization to provide greater access to high quality media sources. Moreover, we have entered into strategic partnerships and acquisitions to increase and diversify our access to quality media and client budgets. Our financial services client vertical also benefits from more spending by clients in digital media and performance marketing as digital marketing continues to evolve.

In addition, within our financial services client vertical, we derive a significant amount of revenue from auto insurance carriers and the financial results depend on the performance of the auto insurance industry. For example, weather-related and supply chain events have led to increases in insurance industry loss ratios, which decreased our clients' advertising spending and thereby had a material adverse effect on our business. More recently, the auto insurance industry has experienced re-rating and related challenges, which has affected and may continue to affect our operations and financial results in the auto insurance business.

On July 1, 2020, we completed the acquisition of Modernize, a leading home improvement performance marketing company, to broaden our customer and media relationships in the home services client vertical. Our home services client vertical has been expanding over the past several years, primarily driven by successful execution of growth initiatives and synergies with the Modernize acquisition.

Acquisitions and Divestitures

Acquisitions have historically been, and continue to be, an important element of our overall corporate strategy and use of capital. We have completed several strategic acquisitions in the past, including the acquisitions of Modernize, Mayo Labs and FCE completed in fiscal year 2021, and the acquisitions of AmOne, CCM, and MBT completed in fiscal year 2019.

Furthermore, as a result of the decision to narrow our focus to the best performing businesses and market opportunities, we completed a series of business divestitures, including the divestiture of our former education client vertical completed in fiscal year 2021, and the divestitures of our former B2B client vertical, our businesses in Brazil consisting of QSB and VEMM along with its interests in EDB, and our mortgage business completed in fiscal year 2020.

For detailed information regarding our acquisitions and divestitures, refer to Note 6, *Acquisitions*, and Note 7, *Divestitures*, respectively, to our consolidated financial statements.

Development, Acquisition and Retention of High Quality Targeted Media

One of the primary challenges of our business is finding or creating media that is high quality and targeted enough to attract prospects for our clients at costs that provide a sound financial outcome for us. In order to grow our business, we must be able to find, develop, or acquire and retain quality targeted media on a cost-effective basis. Consolidation of media sources, changes in search engine algorithms and increased competition for available media has, during some periods, limited and may continue to limit our ability to generate revenue at acceptable margins. To offset this impact, we have developed new sources of media, including entering into strategic partnerships with other marketing and media companies and acquisitions. Such partnerships include takeovers of performance marketing functions for large web media properties; backend monetization of unmatched traffic for clients with large media buys; and white label products for other performance marketing companies. We have also focused on growing our revenue from call center, email, mobile and social media traffic sources.

Seasonality

Our results are subject to significant fluctuation as a result of seasonality. In particular, our quarters ending December 31 (our second fiscal quarter) are typically characterized by seasonal weakness. In our second fiscal quarters, there is generally lower availability of media during the holiday period on a cost effective basis and some of our clients have lower budgets. In our quarters ending March 31 (our third fiscal quarter), this trend generally reverses with better media availability and often new budgets at the beginning of the year for our clients with fiscal years ending December 31.

Our results are also subject to fluctuation as a result of seasonality in our clients' business. For example, revenue in our home services client vertical is subject to cyclical and seasonal trends, as the consumer demand for home services typically rises during the spring and summer seasons and declines during the fall and winter seasons. Other factors affecting our clients' businesses include macro factors such as credit availability in the market, interest rates, the strength of the economy and employment.

Regulations

Our revenue has fluctuated in part as a result of federal, state and industry-based regulations and developing standards with respect to the enforcement of those regulations. Our business is affected directly because we operate websites and conduct telemarketing and email marketing, and indirectly affected as our clients adjust their operations as a result of regulatory changes and enforcement activity that affect their industries.

Clients in our financial services vertical have been affected by laws and regulations and the increased enforcement of new and pre-existing laws and regulations. The effect of these regulations, or any future regulations, may continue to result in fluctuations in the volume and mix of our business with these clients.

An example of a regulatory change that may affect our business is the amendment of the Telephone Consumer Protection Act (the "TCPA") that affects telemarketing calls. Our clients may make business decisions based on their own experiences with the TCPA regardless of our products and compliance practices. Those decisions may negatively affect our revenue and profitability.

COVID-19

We continue to monitor the impacts from the COVID-19 pandemic that may unfavorably affect our business, such as reductions in client spending on marketing and advertising, drops in media availability or performance, deteriorating consumer spending, fluctuations in interest rates, and credit quality of our receivables. The COVID-19 pandemic has affected and may continue to affect our business operations, including our employees, clients, publishers, business partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. For example, within our financial services client vertical, certain lines of business, such as credit cards and banking, have seen and may continue to see reductions in near-term demand for our services due to the weakened, or additional weakening of, economic and employment conditions, and the uncertainty over the length and depth of the economic downturn. The extent to which the COVID-19 pandemic impacts our business going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; resurgences of the pandemic due to the emergence and persistency of new variants to COVID-19 or otherwise; business and individuals' actions in response to the pandemic; further actions taken by governmental authorities to limit the human and economic impact of the pandemic (e.g., stimulus payments); the continued development, efficacy and prevalence of use of vaccines for COVID-19; and the impact of the pandemic on economic activity including the length and depth of economic or financial market instability. These factors may adversely impact consumer, business, and government spending as well as our clients' ability to pay for our services on an ongoing basis. Refer to Risk Factors (Part I, Item 1A of this Form 10-K) for a discussion of these factors and other risks.

Basis of Presentation

Net Revenue

Our business generates revenue primarily from fees earned through the delivery of qualified inquiries such as clicks, leads, calls, applications, or customers. We deliver targeted and measurable results through a vertical focus, which includes our financial services client vertical and our home services client vertical. All remaining businesses that are not significant enough for separate reporting are included in other revenue. Our revenue recognized in fiscal years 2021 and 2020 also included the revenue generated from the divested businesses (including our former education client vertical, business-to-business technology client vertical, mortgage business, and Brazil businesses). See Note 7, *Divestitures,* to our consolidated financial statements for more information related to the divestitures.

Cost of Revenue

Cost of revenue consists primarily of media and marketing costs, personnel costs, amortization of intangible assets, depreciation expense and facilities expense. Media and marketing costs consist primarily of fees paid to third-party publishers, media owners or managers, or to strategic partners that are directly related to a revenue-generating event and of pay-per-click, or PPC, ad purchases from Internet search companies. We pay these third-party publishers, media owners or managers, strategic partners and Internet search companies on a revenue-share, a cost-per-lead, or CPL, or cost-per-click, or CPC, basis. Personnel costs include salaries, stock-based compensation expense, bonuses, commissions and related taxes, and employee benefit costs. Personnel costs are primarily related to individuals associated with maintaining our servers and websites, our call center operations, our editorial staff, client management, creative team, content, compliance group and media purchasing analysts. Costs associated with software incurred in the development phase or obtained for internal use are capitalized and amortized to cost of revenue over the software's estimated useful life.

Operating Expenses

We classify our operating expenses into three categories: product development, sales and marketing, and general and administrative. Our operating expenses consist primarily of personnel costs and, to a lesser extent, professional services fees, facilities fees and other costs. Personnel costs for each category of operating expenses generally include salaries, stock-based compensation expense, bonuses, commissions and related taxes, and employee benefit costs.

Product Development. Product development expenses consist primarily of personnel costs, facilities fees and professional services fees related to the development and maintenance of our products and media management platform. We are constraining expenses generally to the extent practicable.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs, facilities fees and professional services fees. We are constraining expenses generally to the extent practicable.

General and Administrative. General and administrative expenses consist primarily of personnel costs of our finance, legal, employee benefits and compliance, technical support and other administrative personnel, accounting and legal professional services fees, facilities fees and bad debt expense. We are constraining expenses generally to the extent practicable.

Interest and Other Income, Net

Interest and other income, net, consists primarily of interest expense, interest income, and other income and expense. Interest expense is related to imputed interest on post-closing payments related to our acquisitions. We have no borrowing agreements outstanding as of June 30, 2022; however interest expense could increase if, among other things, we enter into a new borrowing agreement to manage liquidity or make additional acquisitions through debt financing. Interest income represents interest earned on our cash and cash equivalents, which may increase or decrease depending on market interest rates and the amounts invested. Other income and expense includes gains and losses on foreign currency exchange, gains and losses on divestitures of subsidiaries, client verticals and assets that were not considered to be strategically important to our business, and other non-operating items.

Benefit from (Provision for) Income Taxes

We are subject to tax in the United States as well as other tax jurisdictions or countries in which we conduct business. Earnings from our limited non-U.S. activities are subject to local country income tax and may be subject to U.S. income tax.

Results of Operations

The following table sets forth our consolidated statements of operations for the periods indicated:

	Fiscal Year Ended June 30,					
	2022		2021		2020	
	(In thousands, except percentages)					
Net revenue	$ 582,099	100.0%	$ 578,487	100.0%	$ 490,339	100.0%
Cost of revenue [1]	528,368	90.8	507,956	87.8	437,864	89.3
Gross profit	53,731	9.2	70,531	12.2	52,475	10.7
Operating expenses: [1]						
Product development	21,906	3.7	19,344	3.3	14,206	2.9
Sales and marketing	11,042	1.9	10,991	1.9	8,876	1.8
General and administrative	25,501	4.4	26,270	4.6	23,188	4.7
Operating (loss) income	(4,718)	(0.8)	13,926	2.4	6,205	1.3
Interest income	10	—	39	—	230	—
Interest expense	(1,075)	(0.2)	(1,296)	(0.2)	(696)	(0.1)
Other income, net	21	—	16,660	2.9	12,947	2.6
(Loss) income before income taxes	(5,762)	(1.0)	29,329	5.1	18,686	3.8
Benefit from (provision for) income taxes	514	0.1	(5,774)	(1.0)	(584)	(0.1)
Net (loss) income	$ (5,248)	(0.9)%	$ 23,555	4.1%	$ 18,102	3.7%

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

Cost of revenue	$ 7,475	1.3%	$ 8,997	1.6%	$ 8,569	1.7%
Product development	2,575	0.4	2,339	0.4	1,819	0.4
Sales and marketing	2,378	0.4	2,459	0.4	1,701	0.3
General and administrative	6,078	1.0	5,838	1.0	4,628	0.9

Gross Profit

	Fiscal Year Ended June 30,			2022 - 2021	2021 - 2020
	2022	2021	2020	% Change	% Change
		(In thousands)			
Net revenue	$ 582,099	$ 578,487	$ 490,339	1%	18%
Cost of revenue	528,368	507,956	437,864	4%	16%
Gross profit	$ 53,731	$ 70,531	$ 52,475	(24%)	34%

Net Revenue

Net revenue increased by $3.6 million, or 1%, in fiscal year 2022 compared to fiscal year 2021. Revenue from our home services client vertical increased by $24.3 million, or 18%, primarily as a result of increased client budgets and the successful integration of the Modernize acquisition. Revenue from our financial services client vertical decreased by $9.7 million, or 2%, primarily due to a decrease in revenue in our insurance business associated with decreased spending by insurance carriers to address profitability concerns caused by higher incident rates, weather-related catastrophes, inflation, and higher costs to repair and replace vehicles. This is offset by an increase in revenue in our credit-driven businesses due to some economic recovery from the impact of the COVID-19 pandemic. Other revenue, which primarily includes performance marketing agency and technology services, contributed $6.2 million of revenue for fiscal year 2022, as compared to $5.5 million of revenue for fiscal year 2021. The divestiture of our former education client vertical, completed in fiscal year 2021, resulted in a decrease in revenue by $11.6 million for fiscal year 2022, as compared to fiscal year 2021.

Net revenue increased by $88.1 million, or 18%, in fiscal year 2021 compared to fiscal year 2020. Revenue from our home services client vertical increased by $84.6 million, or 169%, primarily as a result of inorganic and organic (synergy) revenue effects from the acquisition of Modernize completed in fiscal year 2021. Revenue from our financial services client vertical increased by

$60.5 million, or 17%, primarily due to our enhanced product set and data analytics that enabled access to more media and an increase in client budgets in our insurance business, offset by a decline in revenue in the credit-driven businesses due to weakening economic and employment conditions caused by COVID-19. Other revenue, which primarily includes performance marketing agency and technology services, contributed $5.5 million of revenue for fiscal year 2021. The business divestitures completed in fiscal years 2021 and 2020 decreased revenue by $62.5 million for fiscal year 2021.

Cost of Revenue and Gross Profit Margin

Cost of revenue increased by $20.4 million, or 4%, in fiscal year 2022 compared to fiscal year 2021. This was primarily driven by increased media and marketing costs of $15.4 million, increased personnel costs of $3.3 million and increased amortization of intangible assets of $0.5 million. The increase in media and marketing costs was associated with higher revenue volumes. The increase in personnel costs was mainly attributable to a higher headcount. The increase in amortization expense was primarily due to the acquisitions of intangible assets in fiscal year 2022. Gross profit margin, which is the difference between net revenue and cost of revenue as a percentage of net revenue, was 9% in fiscal year 2022 compared to 12% in fiscal year 2021. The decrease in gross profit margin was primarily attributable to increased media and marketing costs as a percentage of revenue.

Cost of revenue increased by $70.1 million, or 16%, in fiscal year 2021 compared to fiscal year 2020. This was primarily driven by increased media and marketing costs of $58.0 million, increased personnel costs including stock-based compensation expense of $6.0 million, and increased amortization of intangible assets of $4.7 million. The increase in media and marketing costs was associated with higher revenue volumes. The increase in personnel costs was primarily due to higher headcount associated with the Modernize acquisition, increased incentive compensation associated with the achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense. The increase in amortization expense was primarily due to the acquisitions of intangible assets in fiscal year 2021. Gross profit margin was 12% in fiscal year 2021 compared to 11% in fiscal year 2020. The increase in gross profit margin was primarily attributable to decreased media and marketing costs as a percentage of revenue.

Operating Expenses

	Fiscal Year Ended June 30,			2022 - 2021	2021 - 2020
	2022	2021	2020	% Change	% Change
		(In thousands)			
Product development	$ 21,906	$ 19,344	$ 14,206	13%	36%
Sales and marketing	11,042	10,991	8,876	—%	24%
General and administrative	25,501	26,270	23,188	(3%)	13%
Operating expenses	$ 58,449	$ 56,605	$ 46,270	3%	22%

Product Development Expenses

Product development expenses increased by $2.6 million, or 13%, in fiscal year 2022 compared to fiscal year 2021. This was primarily due to increased personnel costs of $1.5 million as a result of higher headcount, and increased professional services costs of $0.7 million.

Product development expenses increased by $5.1 million, or 36%, in fiscal year 2021 compared to fiscal year 2020. This was primarily due to increased personnel costs of $4.5 million as a result of higher headcount associated with the Modernize acquisition, increased incentive compensation associated with the achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

Sales and Marketing Expenses

Sales and marketing expenses were approximately flat in fiscal year 2022 compared to fiscal year 2021.

Sales and marketing expenses increased by $2.1 million, or 24%, in fiscal year 2021 compared to fiscal year 2020. This was primarily due to increased personnel costs of $2.2 million as a result of increased incentive compensation associated with the achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

General and Administrative Expenses

General and administrative expenses decreased by $0.8 million, or 3%, in fiscal year 2022 compared to fiscal year 2021. This was primarily due to an adjustment to contingent consideration of $0.9 million recorded in fiscal year 2022.

General and administrative expenses increased by $3.1 million, or 13%, in fiscal year 2021 compared to fiscal year 2020. This was primarily due to increased personnel costs of $2.0 million as a result of increased stock-based compensation expense and increased incentive compensation associated with the achievement of performance objectives for fiscal year 2021.

Interest and Other Income, Net

	Fiscal Year Ended June 30,			2022 - 2021	2021 - 2020
	2022	2021	2020	% Change	% Change
		(In thousands)			
Interest income	$ 10	$ 39	$ 230	(74%)	(83%)
Interest expense	(1,075)	(1,296)	(696)	(17%)	86%
Other income, net	21	16,660	12,947	(100%)	29%
Interest and other income, net	$ (1,044)	$ 15,403	$ 12,481	(107%)	23%

Interest income relates to interest earned on our cash and cash equivalents in fiscal years 2022, 2021 and 2020.

Interest expense decreased by $0.2 million, or 17%, in fiscal year 2022 compared to fiscal year 2021 primarily due to decreased imputed interest on a lower average outstanding balance of the post-closing payments related to our business acquisitions. Interest expense increased by $0.6 million, or 86%, in fiscal year 2021 compared to fiscal year 2020 primarily due to increased imputed interest on a higher average outstanding balance of the post-closing payments related to our business acquisitions completed in fiscal year 2021.

Other income, net, was immaterial in fiscal year 2022. Other income, net, was $16.7 million in fiscal year 2021 primarily due to a gain of $16.6 million recognized from the divestiture of our education client vertical. Other income, net, was $12.9 million in fiscal year 2020 primarily due to a net disposition gain of $13.6 million recognized from the business divestitures completed during the fiscal year.

Benefit from (Provision for) Income Taxes

	Fiscal Year Ended June 30,		
	2022	2021	2020
		(In thousands)	
Benefit from (provision for) income taxes	$ 514	$ (5,774)	$ (584)
Effective tax rate	8.9%	19.7%	3.1%

We recorded a benefit from income taxes of $0.5 million in fiscal year 2022, primarily as a result of a net benefit for deferred federal and state income taxes of $0.9 million offset by current state and foreign taxes of $0.4 million.

We recorded a provision for income taxes of $5.8 million in fiscal year 2021, primarily as a result of deferred federal and state income taxes of $5.3 million and current state and foreign taxes of $0.4 million.

We recorded a provision for income taxes of $0.6 million in fiscal year 2020, primarily as a result of deferred federal and state income taxes of $3.5 million, offset by an expected tax refund of $3.1 million to be received from the California Franchise Tax Board, based on a settlement reached in the third quarter of fiscal year 2020.

Our effective tax rate was 8.9%, 19.7%, and 3.1% in fiscal years 2022, 2021 and 2020.

A provision of the Tax Cuts and Jobs Act (TCJA) is effective for us for the fiscal year ending June 30, 2023, creating a significant change to the treatment of research and experimental (R&E) expenditures under Section 174 of the IRC (Sec. 174 expenses). Historically, businesses have had the option of deducting Sec. 174 expenses in the year incurred or capitalizing and amortizing the costs over five years. The new TCJA provision, however, eliminates this option and requires Sec. 174 expenses associated with research conducted in the U.S. to be capitalized and amortized over a 5-year period. For expenses associated with research outside of the United States, Sec. 174 expenses are required to be capitalized and amortized over a 15-year period. We are currently assessing the impact of the provision, however a material impact to cash taxes is not expected due to available net operating losses and tax credits.

Liquidity and Capital Resources

As of June 30, 2022, our principal sources of liquidity consisted of cash and cash equivalents of $96.4 million and cash we expect to generate from future operations. Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. We believe our cash equivalents are liquid and accessible.

Our short-term and long-term liquidity requirements primarily arise from our working capital requirements, capital expenditures, internal software development costs, repurchases of our common stock, and acquisitions from time to time. Our acquisitions also may have deferred purchase price components and contingent consideration which requires us to make a series of payments following the acquisition closing date. Our primary operating cash requirements include the payment of media costs, personnel costs, costs of information technology systems and office facilities. Our ability to fund these requirements will depend on our future cash flows, which are determined, in part, by future operating performance and are, therefore, subject to prevailing global macroeconomic conditions including the impact of COVID-19, and financial, business and other factors, some of which are beyond our control. Even though we may not need additional funds to fund anticipated liquidity requirements, we may still elect to obtain debt financing or issue additional equity securities for other reasons.

We believe that our principal sources of liquidity will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months and thereafter for the foreseeable future.

The following table summarizes our cash flows for the periods indicated:

	Fiscal Year Ended June 30,		
	2022	2021	2020
		(In thousands)	
Net cash provided by operating activities	$ 28,672	$ 50,615	$ 47,608
Net cash (used in) provided by investing activities	(9,225)	(36,457)	8,868
Net cash used in financing activities	(33,315)	(11,312)	(11,632)

Net Cash Provided by Operating Activities

Cash flows from operating activities are primarily the result of our net (loss) income adjusted for depreciation and amortization, provision for or benefit from sales returns and doubtful accounts receivable, stock-based compensation expense, change in the fair value of contingent consideration, non-cash lease expense, gains and losses on divestitures of businesses, deferred income taxes and changes in working capital components.

Cash provided by operating activities was $28.7 million in fiscal year 2022 compared to $50.6 million in fiscal year 2021 and $47.6 million in fiscal year 2020.

Cash provided by operating activities in fiscal year 2022 consisted of net loss of $5.2 million, adjusted for non-cash adjustments of $33.8 million and changes in working capital accounts of $0.1 million. The non-cash adjustments primarily consisted of depreciation and amortization of $17.0 million and stock-based compensation expense of $18.5 million. The changes in working capital accounts were primarily attributable to a decrease in accrued liabilities of $5.0 million and a decrease in accounts payable of $2.9 million, offset by a decrease in accounts receivable of $5.5 million and a decrease in prepaid expenses and other assets of $3.0 million. The decreases in accounts receivable, accrued liabilities and accounts payable were primarily due to lower revenue levels in the two months ended June 30, 2022 as compared to the two months ended June 30, 2021, and the timing of receipts and payments. The decrease in prepaid expenses and other assets was primarily due to the state tax refund of $3.3 million.

Cash provided by operating activities in fiscal year 2021 consisted of net income of $23.6 million, adjusted for non-cash adjustments of $24.2 million and changes in working capital accounts of $2.8 million. The non-cash adjustments primarily consisted of stock-based compensation expense of $19.6 million, depreciation and amortization of $16.2 million, and a decrease in deferred tax assets of $5.4 million primarily due to provision for income taxes recorded in fiscal year 2021, offset by a gain of $16.6 million recognized from the divestiture of our education client vertical. The changes in working capital accounts were primarily attributable to an increase in accrued liabilities of $10.6 million, an increase in accounts payable of $6.6 million, and a decrease in prepaid expenses and other assets of $6.0 million, offset by an increase in accounts receivable of $20.1 million. The increases in accounts payable and accrued liabilities were due to the timing of payments. The decrease in prepaid expenses and other assets was primarily due to the refund of an unamortized prepaid expense of $5.3 million. The increase in accounts receivable was due to the timing of receipts.

Cash provided by operating activities in fiscal year 2020 consisted of net income of $18.1 million, adjusted for non-cash adjustments of $19.4 million and changes in working capital accounts of $10.1 million. The non-cash adjustments primarily consisted of stock-based compensation expense of $16.7 million and depreciation and amortization of $11.5 million, offset by a net disposition gain of $13.6 million recognized from the business divestitures completed in fiscal year 2020. The changes in working capital accounts were primarily attributable to a decrease in accounts receivable of $11.4 million and a decrease in other assets, noncurrent of $5.5 million, offset by an increase in prepaid expenses and other assets of $8.1 million. The decrease in accounts receivable was due to the timing of receipts. The decrease in other assets, noncurrent, was primarily due to a reclassification of unamortized prepaid expense of $4.3 million from long-term to short-term as we expected to receive payment within the next 12 months. The increase in prepaid expenses and other assets was primarily due to the reclassification of $4.3 million as discussed above, as well as an expected tax refund of $3.1 million to be received from the California Franchise Tax Board, based on a settlement reached in the third quarter of fiscal year 2020.

Net Cash (Used in) Provided by Investing Activities

Cash flows from investing activities generally include capital expenditures, capitalized internal software development costs, acquisitions from time to time, business divestitures, and investment in equity securities.

Cash used in investing activities was $9.2 million in fiscal year 2022, compared to cash used in investing activities of $36.5 million in fiscal year 2021 and cash provided by investing activities of $8.9 million in fiscal year 2020.

Cash used in investing activities in fiscal year 2022 was primarily due to capital expenditures and internal software development costs of $7.5 million, and $1.8 million cash paid at the closing of two immaterial acquisitions completed in fiscal year 2022.

Cash used in investing activities in fiscal year 2021 was primarily due to payments for the acquisitions of Modernize, Mayo Labs and FCE, net of cash acquired, of $49.3 million, capital expenditures and internal software development costs of $5.1 million, and investment in equity securities of $4.0 million, offset by $21.9 million of cash received from the divestitures of our education client vertical and B2B client vertical.

Cash provided by investing activities in fiscal year 2020 was primarily due to $15.4 million cash received from the business divestitures completed in fiscal year 2020, net of cash divested of $0.3 million, offset by capital expenditures and internal software development costs of $4.3 million, and a cash payment of $2.0 million associated with an insignificant business acquisition completed in fiscal year 2020.

Net Cash Used in Financing Activities

Cash flows from financing activities generally include repurchases of common stock, payment of withholding taxes related to the release of restricted stock, net of share settlement, proceeds from the exercise of stock options, and post-closing payments related to business acquisitions.

Cash used in financing activities was $33.3 million in fiscal year 2022, compared to cash used in financing activities of $11.3 million in fiscal year 2021 and $11.6 million in fiscal year 2020.

Cash used in financing activities in fiscal year 2022 was due to repurchases of common stock of $15.3 million, payment of post-closing payments and contingent consideration related to acquisitions of $12.6 million, and the payment of withholding taxes related to the release of restricted stock, net of share settlement of $7.3 million, offset by proceeds from the exercise of stock options of $1.9 million.

Cash used in financing activities in fiscal year 2021 was due to the payment of withholding taxes related to the release of restricted stock, net of share settlement of $8.0 million, and payment of post-closing payments and contingent consideration related to acquisitions of $7.7 million, offset by proceeds from the exercise of stock options of $4.4 million.

Cash used in financing activities in fiscal year 2020 was due to the post-closing payments and contingent consideration related to acquisitions of $9.3 million, and payments of withholding taxes related to the release of restricted stock, net of share settlement of $6.4 million, offset by proceeds from the exercise of stock options of $4.1 million.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations

The following table sets forth payments due under our contractual obligations as of June 30, 2022:

	Total	Less than 1 Year	1-3 Years	3-5 Years
		(In thousands)		
Operating leases [1]	$ 10,865	$ 6,084	$ 4,708	$ 73
Post-closing payment related to acquisitions [2]	28,437	11,673	11,816	4,948
Contingent consideration related to acquisitions [2]	1,787	1,102	685	—
Total	$ 41,089	$ 18,859	$ 17,209	$ 5,021

(1) We lease various office facilities, including our corporate headquarters in Foster City, California. The terms of certain lease agreements include rent escalation provisions and tenant improvement allowances.

In February 2010, we entered into a lease agreement for our corporate headquarters located at 950 Tower Lane, Foster City, California with an expiration date in October 2018 and an option to extend the term of the lease twice by one additional year. In April 2018, the lease agreement was amended to extend the lease term through October 31, 2023. Under the amended lease agreement, during the first year of the extended lease term, the monthly base rent was abated for the first eight months and increased to $0.2 million for the remaining four months. During the second year of the extended lease term, the monthly base rent was abated for the first five months and increased to $0.3 million for the remaining seven months. Subsequently, after each 12-month anniversary, the monthly base rent increases by approximately 3%. We have an option to extend the term of the lease for an additional five years following October 31, 2023.

(2) In accordance with the terms of the acquisitions completed in fiscal years 2022, 2021 and 2019, we are required to make post-closing payments and contingent consideration payments. See Note 6, *Acquisitions*, to our consolidated financial statements for more information on the post-closing payments and contingent consideration payments related to our business acquisitions.

The above table does not include approximately $2.5 million of long-term income tax liabilities for uncertainty in income taxes due to the fact that we are unable to reasonably estimate the timing of these potential future payments.

Critical Accounting Policies and Estimates

We have prepared our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In doing so, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ significantly from these estimates. Some of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We base these estimates and assumptions on historical experience or on various other factors that we believe to be reasonable and appropriate under the circumstances. On an ongoing basis, we reconsider and evaluate our estimates and assumptions.

We refer to these estimates and assumptions as critical accounting policies and estimates. We believe that the critical accounting policies listed below involve our more significant judgments, estimates and assumptions and, therefore, could have the greatest potential impact on our consolidated financial statements. In addition, we believe that a discussion of these policies is necessary to understand and evaluate the consolidated financial statements contained in this report.

See Note 2, *Summary of Significant Accounting Principles*, to our consolidated financial statements for further information on our critical and other significant accounting policies.

Revenue Recognition

We generate our revenue primarily from fees earned through the delivery of qualified inquiries such as clicks, leads, calls, applications, or customers. We recognize revenue when we transfer control of promised goods or services to our clients in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We recognize revenue pursuant to the five-step framework contained in ASC 606, Revenue from Contracts with Customers: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligations.

As part of determining whether a contract exists, probability of collection is assessed on a client-by-client basis at the outset of the contract. Clients are subjected to a credit review process that evaluates the clients' financial position and the ability and intention to pay. If it is determined from the outset of an arrangement that the client does not have the ability or intention to pay, we will conclude that a contract does not exist and will continuously reassess our evaluation until we are able to conclude that a contract does exist.

Generally, our contracts specify the period of time as one month, but in some instances the term may be longer. However, for most of our contracts with clients, either party can terminate the contract at any time without penalty. Consequently, enforceable rights and obligations only exist on a day-to-day basis, resulting in individual daily contracts during the specified term of the contract or until one party terminates the contract prior to the end of the specified term.

We have assessed the services promised in our contracts with clients and have identified one performance obligation, which is a series of distinct services. Depending on the client's needs, these services consist of a specified or an unlimited number of clicks, leads, calls, applications, customers, etc. (hereafter collectively referred to as "marketing results") to be delivered over a period of time. We satisfy these performance obligations over time as the services are provided. We do not promise to provide any other significant goods or services to our clients.

Transaction price is measured based on the consideration that we expect to receive from a contract with a client. Our contracts with clients contain variable consideration as the price for an individual marketing result varies on a day-to-day basis depending on the market-driven amount a client has committed to pay. However, because we ensure the stated period of our contracts does not generally span multiple reporting periods, the contractual amount within a period is based on the number of marketing results delivered within the period. Therefore, the transaction price for any given period is fixed and no estimation of variable consideration is required.

If a marketing result delivered to a client does not meet the contractual requirements associated with that marketing result, our contracts allow for clients to return a marketing result generally within 5-10 days of having received the marketing result. Such returns are factored into the amount billed to the client on a monthly basis and consequently result in a reduction to revenue in the same month the marketing result is delivered. No warranties are offered to our clients.

We do not allocate transaction price as we have only one performance obligation and our contracts do not generally span multiple periods. Taxes collected from clients and remitted to governmental authorities are not included in revenue. We elected to use the practical expedient which allows us to record sales commissions as expense as incurred when the amortization period would have been one year or less.

We bill clients monthly in arrears for the marketing results delivered during the preceding month. Our standard payment terms are 30-60 days. Consequently, we do not have significant financing components in our arrangements.

Separately from the agreements that we have with clients, we have agreements with Internet search companies, third-party publishers and strategic partners that we engage with to generate targeted marketing results for our clients. We receive a fee from our clients and separately pay a fee to the Internet search companies, third-party publishers and strategic partners. We evaluate whether we are the principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). In doing so, we first evaluate whether we control the goods or services before they are transferred to the clients. If we control the goods or services before they are transferred to the clients, we are the principal in the transaction. As a result, the fees paid by our clients are recognized as revenue and the fees paid to our Internet search companies, third-party publishers and strategic partners are included in cost of revenue. If we do not control the goods or services before they are transferred to the clients, we are the agent in the transaction and recognize revenue on a net basis. We have one subsidiary, CCM, which provides performance marketing agency and technology services to clients in financial services, education and other markets, recognizing revenue on a net basis. Determining whether we control the goods or services before they are transferred to the clients may require judgment.

Stock-Based Compensation

We measure and record the expense related to stock-based transactions based on the fair values of stock-based payment awards, as determined on the date of grant. The fair value of restricted stock units with a service condition ("service-based RSU") is determined based on the closing price of our common stock on the date of grant. To estimate the fair value of stock options and purchase rights granted under the employee stock purchase plan ("ESPP"), we selected the Black-Scholes option pricing model. The fair value of restricted stock units with a service and performance condition ("performance-based RSU") is determined based on the closing price of our common stock on the date of grant. Grant date as defined by ASC 718 is determined when the components that comprise the performance targets have been fully established. If a grant date has not been established, the compensation expense associated with the performance-based RSUs is re-measured at each reporting date based on the closing price of our common stock at each reporting date until the grant date has been established. For restricted stock units with a service and market condition ("market-based RSU"), we selected the Monte Carlo simulation model to estimate the fair value on the date of grant. In applying these models, our determination of the fair value of the award is affected by assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the award and the employees' actual and projected stock option exercise and pre-vesting employment termination behaviors. We estimate the expected volatility of our common stock based on our historical volatility over the expected term of the award. We have no history or expectation of paying dividends on our common stock. The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected term of the award.

We recognize stock-based compensation expense for options and service-based RSUs using the straight-line method, and for performance-based RSUs and market-based RSUs using the graded vesting method, based on awards ultimately expected to vest. We recognize stock-based compensation expense for the purchase rights granted under the ESPP using the straight-line method over the offering period. We estimate future forfeitures at the date of grant. On an annual basis, we assess changes to our estimate of expected forfeitures based on recent forfeiture activity. The effect of adjustments made to the forfeiture rates, if any, is recognized in the period that change is made.

Business Combinations

We account for business combinations using the acquisition method, which requires that the total consideration for each of the acquired business be allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we used the income approach to value our most significant acquired assets. Significant assumptions relating to our estimates in the income approach include base revenue, revenue growth rate net of client attrition, projected gross margin, discount rates, projected operating expenses and the future effective income tax rates. The valuations of our acquired businesses have been performed by a third-party valuation specialist under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

Acquisition related costs are not considered part of the consideration, and are expensed as operating expenses as incurred. Contingent consideration, if any, is measured at fair value initially on the acquisition date as well as subsequently at the end of each reporting period until settlement at the end of the assessment period. We include the results of operations of the businesses acquired as of the beginning of the acquisition dates.

Goodwill

We conduct a test for the impairment of goodwill at the reporting unit level on at least an annual basis and whenever there are events or changes in circumstances that would more likely than not reduce the estimated fair value of a reporting unit below its carrying value. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows and determining appropriate discount rates, growth rates, an appropriate control premium and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could trigger impairment.

We perform our annual goodwill impairment test on April 30 and conduct a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. In assessing the qualitative factors, we consider the impact of key factors such as changes in the general economic conditions including the impact of COVID-19, changes in industry and competitive environment, stock price, actual revenue performance compared to previous years, forecasts and cash flow generation. We had one reporting unit for purposes of allocating and testing goodwill for fiscal years 2022 and 2021. Based on the results of the qualitative assessment completed as of April 30, 2022 and 2021, there were no indicators of impairment.

Long-Lived Assets

We evaluate long-lived assets, such as property and equipment and purchased intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If necessary, a quantitative test is performed that requires the application of judgment when assessing the fair value of an asset. When we identify an impairment, we reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. As of April 30, 2022 and 2021, we evaluated our long-lived assets and concluded there were no indicators of impairment.

Income Taxes

We account for income taxes using an asset and liability approach to record deferred taxes. Our deferred income tax assets represent temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net operating loss carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. We regularly assess the realizability of our deferred tax assets. Judgment is required to determine whether a valuation allowance is necessary and the amount of such valuation allowance, if appropriate. We consider all available evidence, both positive and negative, to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the need, or continued need, for a valuation allowance we consider, among other things, the nature, frequency and severity of current and cumulative taxable income or losses, forecasts of future profitability, and the duration of statutory carryforward periods. Our judgment regarding future profitability may change due to future market conditions including the impact of COVID-19, changes in U.S. or international tax laws and other factors.

We recognize tax benefits from an uncertain tax position only if it is more likely than not, based on the technical merits of the position, that the tax position will be sustained on examination by the tax authorities. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statements for information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in inflation or interest rates.

Interest Rate Risk

We invest our cash equivalents in money market funds. Cash and cash equivalents are held for working capital purposes and acquisition financing. We do not enter into investments for trading or speculative purposes. We believe that we do not have material exposure to changes in the fair value of these investments as a result of changes in interest rates due to the short-term nature of our investments. Declines in interest rates may reduce future investment income. A hypothetical decline of 1% in the interest rate on our investments would not have a material effect on our consolidated financial statements.

Item 8. ***Financial Statements and Supplementary Data***

QUINSTREET, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of QuinStreet, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of QuinStreet, Inc. and its subsidiaries (the "Company") as of June 30, 2022 and 2021, and the related consolidated statements of operations, of comprehensive (loss) income, of stockholders' equity and of cash flows for each of the three years in the period ended June 30, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended June 30, 2022 appearing under Item 15(a)2 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle
As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of July 1, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

As described in Notes 2 and 3 to the consolidated financial statements, the Company derives revenue primarily from fees earned through the delivery of qualified inquiries such as clicks, leads, calls, applications, or customers. The Company recognizes revenue when the Company transfers promised goods or services to clients in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has assessed the services promised in its contracts with clients and has identified one performance obligation, which is a series of distinct services. Depending on the client's needs, these services consist of a specified or an unlimited number of clicks, leads, calls, applications, or customers to be delivered over a period of time. The Company satisfies these performance obligations over time as the services are provided. The transaction price for any given period is fixed and no estimation of variable consideration is required. The Company does not promise to provide any other significant goods or services to its clients. The Company recorded total net revenue of $582 million for the year ended June 30, 2022.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process. These procedures also included, among others, evaluating, for a sample of revenue transactions, the recognition of revenue by obtaining and inspecting source documents, including executed contracts, invoices, and delivery documents, recalculating revenue recognized, and obtaining evidence of customer remittance of payment.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
August 22, 2022

We have served as the Company's auditor since 2000.

QUINSTREET, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2022	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 96,439	$ 110,318
Accounts receivable, net of allowances and reserves of $1,536 and $1,010 as of June 30, 2022 and June 30, 2021, respectively	81,429	87,928
Prepaid expenses and other assets	4,924	7,930
Total current assets	182,792	206,176
Property and equipment, net	9,311	6,849
Operating lease right-of-use assets	6,801	10,983
Goodwill	121,141	117,833
Other intangible assets, net	49,696	59,177
Deferred tax assets, noncurrent	44,220	43,336
Other assets, noncurrent	5,948	5,161
Total assets	$ 419,909	$ 449,515
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 42,410	$ 45,231
Accrued liabilities	54,459	57,650
Deferred revenue	341	33
Other liabilities	12,369	12,697
Total current liabilities	109,579	115,611
Operating lease liabilities, noncurrent	3,858	8,545
Other liabilities, noncurrent	20,472	30,211
Total liabilities	133,909	154,367
Commitments and contingencies (See Note 12)		
Stockholders' equity:		
Common stock: $0.001 par value; 100,000,000 shares authorized; 53,356,875 and 53,786,363 shares issued and outstanding as of June 30, 2022 and June 30, 2021	53	54
Additional paid-in capital	316,422	320,315
Accumulated other comprehensive loss	(261)	(255)
Accumulated deficit	(30,214)	(24,966)
Total stockholders' equity	286,000	295,148
Total liabilities and stockholders' equity	$ 419,909	$ 449,515

See notes to consolidated financial statements

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

	Fiscal Year Ended June 30,		
	2022	**2021**	**2020**
Net revenue	$ 582,099	$ 578,487	$ 490,339
Cost of revenue [1]	528,368	507,956	437,864
Gross profit	53,731	70,531	52,475
Operating expenses: [1]			
Product development	21,906	19,344	14,206
Sales and marketing	11,042	10,991	8,876
General and administrative	25,501	26,270	23,188
Operating (loss) income	(4,718)	13,926	6,205
Interest income	10	39	230
Interest expense	(1,075)	(1,296)	(696)
Other income, net	21	16,660	12,947
(Loss) income before income taxes	(5,762)	29,329	18,686
Benefit from (provision for) income taxes	514	(5,774)	(584)
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102
Net (loss) income per share:			
Basic	$ (0.10)	$ 0.44	$ 0.35
Diluted	$ (0.10)	$ 0.43	$ 0.34
Weighted-average shares used in computing net (loss) income per share:			
Basic	54,339	53,166	51,529
Diluted	54,339	55,129	53,387

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

Cost of revenue	$ 7,475	$ 8,997	$ 8,569
Product development	2,575	2,339	1,819
Sales and marketing	2,378	2,459	1,701
General and administrative	6,078	5,838	4,628

See notes to consolidated financial statements

QUINSTREET, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Fiscal Year Ended June 30,		
	2022	**2021**	**2020**
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(6)	(18)	129
Total other comprehensive (loss) income	(6)	(18)	129
Comprehensive (loss) income	$ (5,254)	$ 23,537	$ 18,231

See notes to consolidated financial statements

QUINSTREET, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2019	50,518,460	$ 50	—	$ —	$289,768	$ (366)	$ (66,623)	$ 222,829
Issuance of common stock upon exercise of stock options	777,854	1	—	—	4,478	—	—	4,479
Release of restricted stock, net of share settlement	913,499	1	—	—	(1)	—	—	—
Stock-based compensation expense	—	—	—	—	16,781	—	—	16,781
Withholding taxes related to release of restricted stock, net of share settlement	—	—	—	—	(6,376)	—	—	(6,376)
Net income	—	—	—	—	—	—	18,102	18,102
Other comprehensive income	—	—	—	—	—	129	—	129
Balance at June 30, 2020	52,209,813	$ 52	—	$ —	$304,650	$ (237)	$ (48,521)	$ 255,944
Issuance of common stock upon exercise of stock options	739,985	1	—	—	3,967	—	—	3,968
Release of restricted stock, net of share settlement	836,565	1	—	—	(1)	—	—	—
Stock-based compensation expense	—	—	—	—	19,679	—	—	19,679
Withholding taxes related to release of restricted stock, net of share settlement	—	—	—	—	(7,980)	—	—	(7,980)
Net income	—	—	—	—	—	—	23,555	23,555
Other comprehensive loss	—	—	—	—	—	(18)	—	(18)
Balance at June 30, 2021	53,786,363	$ 54	—	$ —	$320,315	$ (255)	$ (24,966)	$ 295,148
Issuance of common stock upon exercise of stock options	412,941	—	—	—	1,850	—	—	1,850
Release of restricted stock, net of share settlement	809,614	1	—	—	(1)	—	—	—
Stock-based compensation expense	—	—	—	—	18,548	—	—	18,548
Withholding taxes related to release of restricted stock, net of share settlement	—	—	—	—	(7,342)	—	—	(7,342)
Repurchase of common stock	—	—	(1,652,043)	(16,950)	—	—	—	(16,950)
Retirement of treasury stock	(1,652,043)	(2)	1,652,043	16,950	(16,948)	—	—	—
Net loss	—	—	—	—	—	—	(5,248)	(5,248)
Other comprehensive loss	—	—	—	—	—	(6)	—	(6)
Balance at June 30, 2022	53,356,875	$ 53	—	$ —	$316,422	$ (261)	$ (30,214)	$ 286,000

See notes to consolidated financial statements

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

	Fiscal Year Ended June 30,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	16,961	16,201	11,476
Provision for (benefit from) sales returns and doubtful accounts receivable	581	(341)	625
Stock-based compensation	18,506	19,633	16,717
Change in the fair value of contingent consideration	(926)	—	—
Non-cash lease expense	(1,043)	(816)	259
Deferred income taxes	(791)	5,408	3,546
Gain on divestitures of businesses, net	—	(16,615)	(13,578)
Other adjustments, net	482	741	315
Changes in assets and liabilities:			
Accounts receivable	5,543	(20,063)	11,354
Prepaid expenses and other assets	3,003	5,955	(8,136)
Other assets, noncurrent	(788)	(173)	5,508
Accounts payable	(2,885)	6,558	103
Accrued liabilities	(5,031)	10,612	1,173
Deferred revenue	308	(40)	178
Other liabilities, noncurrent	—	—	(34)
Net cash provided by operating activities	28,672	50,615	47,608
Cash Flows from Investing Activities			
Capital expenditures	(2,842)	(1,969)	(1,962)
Business acquisitions, net of cash acquired	(1,797)	(49,304)	(2,000)
Internal software development costs	(4,672)	(3,131)	(2,291)
Proceeds from divestitures of businesses, net of cash divested	—	21,947	15,096
Purchases of equity investment	—	(4,000)	—
Other investing activities	86	—	25
Net cash (used in) provided by investing activities	(9,225)	(36,457)	8,868
Cash Flows from Financing Activities			
Proceeds from exercise of common stock options	1,854	4,357	4,092
Payment of withholding taxes related to release of restricted stock, net of share settlement	(7,342)	(7,980)	(6,376)
Post-closing payments and contingent consideration related to acquisitions	(12,559)	(7,689)	(9,348)
Repurchase of common stock	(15,268)	—	—
Net cash used in financing activities	(33,315)	(11,312)	(11,632)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(12)	(36)	143
Net (decrease) increase in cash, cash equivalents and restricted cash	(13,880)	2,810	44,987
Cash, cash equivalents and restricted cash at beginning of period	110,333	107,523	62,536
Cash, cash equivalents and restricted cash at end of period	$ 96,453	$ 110,333	$ 107,523
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	$ 96,439	$ 110,318	$ 107,509
Restricted cash included in other assets, noncurrent	14	15	14
Total cash, cash equivalents and restricted cash	$ 96,453	$ 110,333	$ 107,523
Supplemental Disclosure of Cash Flow Information			
Cash paid for income taxes	396	293	373
Supplemental Disclosure of Noncash Investing and Financing Activities			
Post-closing payments unpaid at acquisition date (See Note 6)	2,785	32,192	—
Contingent consideration unpaid at acquisition date (See Note 6)	—	2,926	—
Retirement of treasury stock (See Note 13)	(16,950)	—	—
Purchases of property and equipment included in accrued liabilities	613	275	72

See notes to consolidated financial statements

QUINSTREET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

QuinStreet, Inc. (the "Company") is a leader in performance marketplaces and technologies for the financial services and home services industries. The Company was incorporated in California in April 1999 and reincorporated in Delaware in December 2009. The Company specializes in customer acquisition for clients in high value, information-intensive markets or "verticals," including financial services, home services, and previously the historical education client vertical. The corporate headquarters are located in Foster City, California, with additional offices throughout the United States and India. The majority of the Company's operations and revenue are in North America.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Revenue Recognition

The Company derives revenue primarily from fees earned through the delivery of qualified inquiries such as clicks, leads, calls, applications, or customers. The Company recognizes revenue when the Company transfers promised goods or services to clients in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company recognizes revenue pursuant to the five-step framework contained in ASC 606, Revenue from Contracts with Customers: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligations.

As part of determining whether a contract exists, probability of collection is assessed on a client-by-client basis at the outset of the contract. Clients are subjected to a credit review process that evaluates the clients' financial position and the ability and intention to pay. If it is determined from the outset of an arrangement that the client does not have the ability or intention to pay, the Company will conclude that a contract does not exist and will continuously reassess its evaluation until the Company is able to conclude that a contract does exist.

Generally, the Company's contracts specify the period of time as one month, but in some instances the term may be longer. However, for most of the Company's contracts with clients, either party can terminate the contract at any time without penalty. Consequently, enforceable rights and obligations only exist on a day-to-day basis, resulting in individual daily contracts during the specified term of the contract or until one party terminates the contract prior to the end of the specified term.

The Company has assessed the services promised in its contracts with clients and has identified one performance obligation, which is a series of distinct services. Depending on the client's needs, these services consist of a specified or an unlimited number of clicks, leads, calls, applications, customers, etc. (hereafter collectively referred to as "marketing results") to be delivered over a period of time. The Company satisfies these performance obligations over time as the services are provided. The Company does not promise to provide any other significant goods or services to its clients.

Transaction price is measured based on the consideration that the Company expects to receive from a contract with a client. The Company’s contracts with clients contain variable consideration as the price for an individual marketing result varies on a day-to-day basis depending on the market-driven amount a client has committed to pay. However, because the Company ensures the stated period of its contracts does not generally span multiple reporting periods, the contractual amount within a period is based on the number of marketing results delivered within the period. Therefore, the transaction price for any given period is fixed and no estimation of variable consideration is required.

If a marketing result delivered to a client does not meet the contractual requirements associated with that marketing result, the Company’s contracts allow for clients to return a marketing result generally within 5-10 days of having received the marketing result. Such returns are factored into the amount billed to the client on a monthly basis and consequently result in a reduction to revenue in the same month the marketing result is delivered. No warranties are offered to the Company’s clients.

The Company does not allocate transaction price as the Company has only one performance obligation and its contracts do not generally span multiple periods. Taxes collected from clients and remitted to governmental authorities are not included in revenue. The Company elected to use the practical expedient which allows the Company to record sales commissions as expense as incurred when the amortization period would have been one year or less.

The Company bills clients monthly in arrears for the marketing results delivered during the preceding month. The Company’s standard payment terms are 30-60 days. Consequently, the Company does not have significant financing components in its arrangements.

Separately from the agreements the Company has with clients, the Company has agreements with Internet search companies, third-party publishers and strategic partners that it engages with to generate targeted marketing results for the Company’s clients. The Company receives a fee from its clients and separately pays a fee to the Internet search companies, third-party publishers and strategic partners. The Company evaluates whether it is the principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). In doing so, the Company first evaluates whether it controls the goods or services before they are transferred to the clients. If the Company controls the goods or services before they are transferred to the clients, the Company is the principal in the transaction. As a result, the fees paid by the Company’s clients are recognized as revenue and the fees paid to its Internet search companies, third-party publishers and strategic partners are included in cost of revenue. If the Company does not control the goods or services before they are transferred to the clients, the Company is the agent in the transaction and recognizes revenue on a net basis. The Company has one subsidiary, CCM, which provides performance marketing agency and technology services to clients in financial services, education and other markets, recognizing revenue on a net basis. Determining whether the Company controls the goods or services before they are transferred to the clients may require judgment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company’s investment portfolio consists of money market funds. Cash is deposited with financial institutions that management believes are creditworthy. To date, the Company has not experienced any material losses on its investment portfolio.

The Company maintains contracts with its clients, most of which are cancelable with little or no prior notice. In addition, these contracts do not contain penalty provisions for cancellation before the end of the contract term. The Company had one client, The Progressive Corporation, that accounted for 17%, 23% and 21% of net revenue in fiscal years 2022, 2021 and 2020, and accounted for 16% and 10% of net accounts receivable as of June 30, 2022 and June 30, 2021. One additional client, The Allstate Corporation, accounted for 15% of net accounts receivable as of June 30, 2021. No other client accounted for 10% or more of net revenue in fiscal years 2022, 2021 and 2020, or 10% or more of net accounts receivable as of June 30, 2022 or 2021.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Company estimates and categorizes the fair value of its financial instruments by applying the following hierarchy:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to directly access.

Level 2 — Valuations based on quoted prices for similar assets or liabilities; valuations for interest-bearing securities based on non-daily quoted prices in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company's financial instruments consist principally of cash equivalents, accounts receivable, accounts payable, post-closing payments and contingent consideration related to acquisitions. The recorded values of the Company's accounts receivable and accounts payable approximate their current fair values due to the relatively short-term nature of these accounts. See Note 5, *Fair Value Measurements,* for additional information regarding fair value measurements.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents on the Company's consolidated balance sheets.

Accounts Receivable and Allowances

The Company's accounts receivable are derived from clients located principally in the United States. The Company performs ongoing credit evaluation of its customers and generally does not require collateral. The Company makes estimates of expected credit losses for the allowance for doubtful accounts and allowance for unbilled receivables based upon its assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions including the impact of COVID-19, and other factors that may affect its ability to collect from customers.

The following table presents the changes in the Company's allowance for credit losses for the periods indicated (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Balance, beginning of period	$ 120	$ 9,287	$ 9,529
Provision for credit losses	—	36	214
Write-offs charged against the allowance [(1)]	—	(9,087)	(456)
Recoveries collected	—	(116)	—
Balance, end of period	$ 120	$ 120	$ 9,287

(1) In the third quarter of fiscal year 2019, the Company recorded an allowance of $8.7 million for bad debt expense related to a large former education client who entered federal receivership in January 2019. In the second quarter of fiscal year 2021, the Company believes that the likelihood of collection was no longer probable, therefore has determined to write off the receivable against this allowance, with no net impact to the Company's consolidated statements of operations.

The revenue reserve was $1.4 million and $0.9 million as of June 30, 2022 and June 30, 2021, respectively. The total allowance for credit losses and revenue reserve was $1.5 million and $1.0 million as of June 30, 2022 and June 30, 2021, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Software	3 years
Furniture and fixtures	3 to 5 years
Leasehold improvements	the shorter of the lease term or the estimated useful lives of the improvements

Internal Software Development Costs

The Company incurs costs to develop software for internal use. The Company expenses all costs that relate to the planning and post-implementation phases of development as product development expense. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life if the product is expected to have a useful life beyond six months. Costs associated with repair or maintenance of existing sites or the development of website content are included within cost of revenue in the Company's consolidated statements of operations. The Company's policy is to amortize capitalized internal software development costs on a product-by-product basis using the straight-line method over the estimated economic life of the application, which is generally two years. The Company capitalized internal software development costs of $4.7 million, $2.3 million and $1.1 million in fiscal years 2022, 2021 and 2020. Amortization of internal software development costs is reflected within cost of revenue in the Company's consolidated statements of operations.

Leases

Effective July 1, 2019, the Company adopted ASC 842, Leases (ASC 842) which requires the recognition of lease liabilities and right-of-use ("ROU") assets on the consolidated balance sheets, while recognizing expenses on the consolidated income statements in a manner similar to the legacy guidance. The Company applied the provisions of ASC 842 using the modified transition approach to all leases existing at the date of initial application and not restating comparative periods.

Under ASC 842, at the commencement date of a lease, the Company recognizes lease liabilities which represent its obligation to make lease payments, and ROU assets which represent its right to use the underlying asset during the lease term. The lease liability is measured at the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the lease commencement date. The ROU asset is measured at cost, which includes the initial measurement of the lease liability and initial direct costs incurred by the Company and excludes lease incentives. Lease liabilities are recorded in accrued liabilities and operating lease liabilities, noncurrent. ROU assets are recorded in operating lease right-of-use assets.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term. Lease agreements that contain both lease and non-lease components are generally accounted for separately. The Company does not recognize lease liabilities and ROU assets for short-term leases with terms of twelve months or less.

Business Combinations

The Company accounts for business combinations using the acquisition method, which requires that the total consideration for each of the acquired business be allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, the Company used the income approach to value its most significant acquired asset. Significant assumptions relating to the Company's estimates in the income approach include base revenue, revenue growth rate net of client attrition, projected gross margin, discount rates, projected operating expenses and the future effective income tax rates. The valuations of our acquired businesses have been performed by a third-party valuation specialist under the Company management's supervision. The Company believes that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use.

However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

Acquisition related costs are not considered part of the consideration, and are expensed as operating expense as incurred. Contingent consideration, if any, is measured at fair value initially on the acquisition date as well as subsequently at the end of each reporting period until settlement at the end of the assessment period. The Company includes the results of operations of the businesses acquired as of the beginning of the acquisition dates.

Goodwill

The Company conducts a test for the impairment of goodwill at the reporting unit level on at least an annual basis and whenever there are events or changes in circumstances that would more likely than not reduce the estimated fair value of a reporting unit below its carrying value. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows and determining appropriate discount rates, growth rates, an appropriate control premium and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could trigger impairment.

The Company performs its annual goodwill impairment test on April 30 and conducts a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. In assessing the qualitative factors, the Company considers the impact of key factors such as changes in the general economic conditions including the impact of COVID-19, changes in industry and competitive environment, stock price, actual revenue performance compared to previous years, forecasts and cash flow generation. The Company had one reporting unit for purposes of allocating and testing goodwill for fiscal years 2022 and 2021. Based on the results of the qualitative assessment completed as of April 30, 2022 and 2021, there were no indicators of impairment.

Long-Lived Assets

The Company evaluates long-lived assets, such as property and equipment and purchased intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If necessary, a quantitative test is performed that requires the application of judgment when assessing the fair value of an asset. When the Company identifies an impairment, it reduces the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. As of April 30, 2022 and 2021, the Company evaluated its long-lived assets and concluded there were no indicators of impairment. The weighted-average useful life of intangible assets was 6.2 years as of June 30, 2022.

Investments in Equity Securities

The Company’s investments in equity securities, which are reported within other assets, noncurrent, on the consolidated balance sheets, include investments in privately held companies without readily determinable market values. The Company adjusts the carrying value of its investments in equity securities to fair value when transactions for identical or similar investments of the same issuer are observable. All gains and losses on investments in equity securities, realized and unrealized, are recognized within other income, net on the Company’s consolidated statements of operations.

The Company applies the equity method of accounting for investments in other entities when it exercises significant influence. Under the equity method, the Company’s share of each investee’s profit or loss is recognized within other income, net on the Company’s consolidated statements of operations.

The Company applies the fair value measurement alternative for investments in other entities when it holds less than 20% ownership in the entity and does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded within other assets, noncurrent, on the consolidated balance sheets.

The Company regularly reviews investments accounted for under the equity method and the fair value measurement alternative for possible impairment, which generally involves an analysis of the facts and changes in circumstances influencing the investment, expectations of the entity's cash flows and capital needs, and the viability of its business model.

Income Taxes

The Company accounts for income taxes using an asset and liability approach to record deferred taxes. The Company's deferred income tax assets represent temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net loss carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. The Company regularly assesses the realizability of our deferred tax assets. Judgment is required to determine whether a valuation allowance is necessary and the amount of such valuation allowance, if appropriate. The Company considers all available evidence, both positive and negative to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the need, or continued need, for a valuation allowance the Company considers, among other things, the nature, frequency and severity of current and cumulative taxable income or losses, forecasts of future profitability, and the duration of statutory carryforward periods. The Company's judgments regarding future profitability may change due to future market conditions including the impact of COVID-19, changes in U.S. or international tax laws and other factors.

The Company recognizes tax benefits from an uncertain tax position only if it is more likely than not, based on the technical merits of the position, that the tax position will be sustained on examination by the tax authorities. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and penalties related to unrecognized tax benefits are recognized within income tax expense.

Foreign Currency Translation

The Company's foreign operations are subject to exchange rate fluctuations. The majority of the Company's sales and expenses are denominated in U.S. dollars. The functional currency for the majority of the Company's foreign subsidiaries is the U.S. dollar. For these subsidiaries, assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for nonmonetary assets and liabilities. Net revenue, cost of revenue and expenses are generally remeasured at average exchange rates in effect during each period. Gains and losses from foreign currency remeasurement are included in other income, net in the Company's consolidated statements of operations. Certain foreign subsidiaries designate the local currency as their functional currency. For those subsidiaries, the assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at average exchange rates for the period. The foreign currency translation adjustments are included in accumulated other comprehensive loss as a separate component of stockholders' equity. Foreign currency transaction gains and losses are recorded within other income, net in the Company's consolidated statements of operations and were not material for any period presented.

Comprehensive (Loss) Income

Comprehensive (loss) income consists of two components, net (loss) income and other comprehensive (loss) income. Other comprehensive (loss) income refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net (loss) income. The Company's comprehensive (loss) income and accumulated other comprehensive loss consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency. Total accumulated other comprehensive loss is disclosed as a separate component of stockholders' equity.

Loss Contingencies

The Company is subject to the possibility of various loss contingencies arising in the ordinary course of business. Management considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as its ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to its management to determine whether such accruals should be adjusted and whether new accruals are required.

From time to time, the Company is involved in disputes, litigation and other legal actions. The Company records a charge equal to at least the minimum estimated liability for a loss contingency only when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements, and (ii) the range of loss can be reasonably estimated. The actual liability in any such matters may be materially different from the Company's estimates, which could result in the need to adjust the liability and record additional expenses.

Stock-Based Compensation

The Company measures and records the expense related to stock-based transactions based on the fair values of stock-based payment awards, as determined on the date of grant. The fair value of restricted stock units with a service condition ("service-based RSU") is determined based on the closing price of the Company's common stock on the date of grant. To estimate the fair value of stock options and purchase rights granted under the employee stock purchase plan ("ESPP"), the Company selected the Black-Scholes option pricing model. The fair value of restricted stock units with a service and performance condition ("performance-based RSU") is determined based on the closing price of the Company's common stock on the date of grant. Grant date as defined by ASC 718 is determined when the components that comprise the performance targets have been fully established. If a grant date has not been established, the compensation expense associated with the performance-based RSUs is re-measured at each reporting date based on the closing price of the Company's common stock at each reporting date until the grant date has been established. For restricted stock units with a service and market condition ("market-based RSU"), the Company selected the Monte Carlo simulation model to estimate the fair value on the date of grant. In applying these models, the Company's determination of the fair value of the award is affected by assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the award and the employees' actual and projected stock option exercise and pre-vesting employment termination behaviors.

The Company recognizes stock-based compensation expense for options and service-based RSUs using the straight-line method, and for performance-based RSUs and market-based RSUs using the graded vesting method, based on awards ultimately expected to vest. The Company recognizes stock-based compensation expense for the purchase rights granted under the ESPP using the straight-line method over the offering period. The Company estimates future forfeitures at the date of grant. On an annual basis, the Company assesses changes to its estimate of expected forfeitures based on recent forfeiture activity. The effect of adjustments made to the forfeiture rates, if any, is recognized in the period that change is made. See Note 14, *Stock Benefit Plans*, for additional information regarding stock-based compensation.

401(k) Savings Plan

The Company sponsors a 401(k) defined contribution plan covering all U.S. employees. There were no employer contributions under this plan in fiscal years 2022, 2021 or 2020.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes by eliminating certain exceptions in ASC 740 related to the methodology for calculating income taxes in an interim period. It also clarifies and amends existing guidance to improve consistent application. The Company adopted the new standard as of July 1, 2021. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08), which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. The new guidance is effective for the Company in the first quarter of fiscal year 2024 on a prospective basis, with early adoption permitted. The Company is currently assessing the impact the new guidance will have on the consolidated financial statements.

3. Revenue

Disaggregation of Revenue

In the first quarter of fiscal year 2021, the Company completed the acquisition of Modernize, Inc. (“Modernize”) to increase the scale and capabilities in the home services client vertical. In addition, the Company divested its former education client vertical to narrow its focus to the best performing businesses and market opportunities. As a result of these activities, in the second quarter of fiscal year 2021, the Company updated its reporting structure which resulted in two client verticals: financial services and home services, which was applied on a retrospective basis. All remaining businesses that are not significant enough for separate reporting are included in other revenue. The following table presents the Company’s net revenue disaggregated by vertical (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Net revenue:			
Financial Services	$ 417,110	$ 426,819	$ 366,289
Home Services	158,805	134,538	49,931
Other Revenue	6,184	5,543	—
Divested Businesses[1]	—	11,587	74,119
Total net revenue	$ 582,099	$ 578,487	$ 490,339

[1] Represents revenue recognized from the businesses divested in fiscal years 2021 and 2020. See Note 7, *Divestitures*, for more information.

Contract Balances

The following table provides information about contract liabilities from the Company’s contracts with its clients (in thousands):

	June 30,	
	2022	2021
Deferred revenue	$ 341	$ 33
Client deposits	1,163	870
Total	$ 1,504	$ 903

The Company’s contract liabilities result from payments received in advance of revenue recognition and advance consideration received from clients, which precede the Company’s satisfaction of the associated performance obligation. The changes in the liability balances during fiscal year 2022 related to advance consideration received from clients of $5.1 million, offset by revenue recognized of $4.5 million.

4. Net (Loss) Income per Share

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding during the period. Diluted net (loss) income per share is computed by using the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock assuming the dilutive effect of outstanding stock options, unvested restricted stock units, and shares issuable related to the ESPP using the treasury stock method.

The following table presents the calculation of basic and diluted net (loss) income per share:

	Fiscal Year Ended June 30,		
	2022	**2021**	**2020**
	(In thousands, except per share data)		
Numerator:			
Basic and Diluted:			
Net (loss) income	$ (5,248)	$ 23,555	$ 18,102
Denominator:			
Basic:			
Weighted-average shares of common stock used in computing basic net (loss) income per share	54,339	53,166	51,529
Diluted:			
Weighted average shares of common stock used in computing basic net (loss) income per share	54,339	53,166	51,529
Weighted average effect of dilutive securities:			
Stock options	—	778	1,054
Restricted stock units	—	1,185	804
Shares issuable related to the ESPP	—	—	—
Weighted average shares of common stock used in computing diluted net (loss) income per share	54,339	55,129	53,387
Net (loss) income per share:			
Basic	$ (0.10)	$ 0.44	$ 0.35
Diluted [1]	$ (0.10)	$ 0.43	$ 0.34
Securities excluded from weighted-average shares used in computing diluted net (loss) income per share because the effect would have been anti-dilutive: [2]	3,557	84	1,104

(1) Diluted net loss per share does not reflect any potential common stock relating to stock options, restricted stock units, or shares issuable related to the ESPP due to net loss incurred in fiscal year 2022. The assumed issuance of any additional shares would be anti-dilutive.

(2) These weighted shares relate to anti-dilutive stock options, restricted stock units, and shares issuable related to the ESPP as calculated using the treasury stock method and could be dilutive in the future.

5. Fair Value Measurements

The following table presents the fair value of the Company's financial instruments (in thousands):

	June 30, 2022				June 30, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds	$ 4,404	$ —	$ —	$ 4,404	$ 1,670	$ —	$ —	$ 1,670
Total	$ 4,404	$ —	$ —	$ 4,404	$ 1,670	$ —	$ —	$ 1,670
Liabilities:								
Post-closing payments related to acquisitions	$ —	$ 28,437	$ —	$ 28,437	$ —	$ 34,954	$ —	$ 34,954
Contingent consideration related to acquisitions	—	—	1,787	1,787	—	—	5,432	5,432
Total	$ —	$ 28,437	$ 1,787	$ 30,224	$ —	$ 34,954	$ 5,432	$ 40,386
Reported as:								
Cash and cash equivalents				$ 4,404				$ 1,670
Other Liabilities:								
Current				$ 12,369				$ 12,697
Noncurrent				17,855				27,689
Total				$ 30,224				$ 40,386

There were no transfers between Level 1, Level 2 and Level 3 during the periods presented.

Cash Equivalents

The valuation technique used to measure the fair value of money market funds included using quoted prices in active markets for identical assets.

Post-Closing Payments Related to Acquisitions

The post-closing payments are future payments related to two immaterial acquisitions completed in fiscal year 2022, and the acquisitions of Modernize, FCE, Mayo Labs and CCM completed in the past three fiscal years. As the fair value of the Company's post-closing payments was determined based on installments stipulated in the terms of the acquisition agreements and discount rates observable in the market, the post-closing payments are classified as Level 2 within the fair value hierarchy. See Note 6, *Acquisitions*, for further details related to the acquisitions.

Contingent Consideration Related to Acquisitions

The contingent consideration consists of the estimated fair value of future payments related to the Company's acquisitions of FCE and CCM. The FCE contingent consideration is based upon revenue and margin targets, and the CCM contingent consideration is based upon revenue targets. The fair value of the contingent consideration is determined using the real options technique which incorporates various estimates, including projected net revenue, projected gross margin, volatility and discount rates. As certain of these inputs are not observable in the market, the contingent consideration is classified as a Level 3 instrument. Significant changes in the projected net revenue, projected gross margin, or discount rates would have a material impact on the fair value of the contingent consideration. Changes in the fair value of the contingent consideration are recorded in earnings on the Company's consolidated statements of operations. See Note 6, *Acquisitions*, for further details related to the acquisitions.

The Company reassesses the estimated fair value of the contingent consideration at the end of each reporting period based on the information available at the time. In fiscal year 2022, the Company recorded an adjustment of $0.9 million due to the change in estimated fair value of the FCE contingent consideration based on revised estimates in revenue and margin targets. The adjustment was primarily associated with the changes in algorithms by email providers, which materially limited the delivery of the email marketing messages to the intended recipients' inbox. The adjustment was recorded within general and administrative expenses on the Company's consolidated statements of operations.

The following table represents the change in the contingent consideration (in thousands):

		Level 3
Balance as of June 30, 2020	$	3,170
Additions related to the acquisition of FCE (initial measurement)		2,926
Change in fair value during the period		—
Payments made during the period		(664)
Balance as of June 30, 2021		5,432
Change in fair value during the period		(926)
Payments made during the period		(2,719)
Balance as of June 30, 2022	$	1,787

6. Acquisitions

Modernize, Inc.

On July 1, 2020, the Company completed the acquisition of Modernize, a leading home improvement performance marketing company in the home services client vertical, to broaden its customer and media relationships. In exchange for all the outstanding shares of Modernize, the Company paid $43.9 million in cash upon closing (including $3.9 million cash for net assets acquired subject to post-closing adjustments) and will make $27.5 million in post-closing payments, payable in equal annual installments over a five year period, with the first installment paid in the first quarter of fiscal year 2022. In addition, the Company made a Section 338(h)(10) election to treat the acquisition for tax purposes as a purchase and sale of assets. The incremental taxes resulting from this election were paid to Modernize in the fourth quarter of fiscal year 2021.

The following table summarizes the consideration as of the acquisition date (in thousands):

		Estimated Fair Value
Cash	$	43,944
Post-closing payments, net of imputed interest of $2,724		24,776
Section 338 election payment to Modernize		1,703
Total	$	70,423

The acquisition was accounted for as a business combination and the results of operations of Modernize have been included in the Company's results of operations as of July 1, 2020. The Company expensed all transaction costs in the period in which they were incurred. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated fair values. The fair value of the assets acquired and liabilities assumed was determined by the Company and in doing so management engaged a third-party valuation specialist to assist with the measurement of the fair value of identifiable intangible assets. The estimated fair value of the identifiable assets acquired and liabilities assumed in the acquisition was based on management's best estimates. The fair value of the customer relationships was determined using the multi-period excess earnings income approach. The fair value of trade names and acquired technology was determined using the relief-from-royalty method. The fair value of content was determined using the cost approach. The excess of the purchase price over the aggregate fair value of the identifiable assets acquired was recorded as goodwill and is primarily attributable to synergies the Company expects to achieve related to the acquisition. The goodwill is deductible for tax purposes.

The Company finalized the allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date, upon completion of the measurement period. The following table summarizes the final allocation of the purchase price as of the acquisition date (in thousands):

	Estimated Fair Value		
	Preliminary as of July 1, 2020	Year to Date Adjustments [1]	Final as of June 30, 2021
Cash and cash equivalents	$ 3,638	$ —	$ 3,638
Accounts receivable, net	4,999	—	4,999
Operating lease right-of-use assets	4,702	—	4,702
Other intangible assets	33,700	—	33,700
Other assets	1,386	—	1,386
Total identifiable assets acquired	48,425	—	48,425
Accrued liabilities	4,909	—	4,909
Operating lease liabilities	4,896	—	4,896
Deferred tax liabilities	7,886	(7,886)	—
Other liabilities	465	(240)	225
Total identifiable liabilities assumed	18,156	(8,126)	10,030
Net identifiable assets acquired	30,269	8,126	38,395
Goodwill	38,451	(6,423)	32,028
Net assets acquired	$ 68,720	$ 1,703	$ 70,423

(1) The Company made a 338(h)(10) election to treat the acquisition for tax purposes as a purchase and sale of assets which resulted in the release of the deferred tax liabilities of $7.9 million. The Company has paid the incremental taxes to Modernize resulting from that election, for an increase in total consideration of $1.7 million.

The following table summarizes the fair values of the identifiable intangible assets acquired and the estimated useful lives as of the acquisition date (in thousands):

	Estimated Fair Value	Estimated Useful Life
Customer/publisher/advertiser relationships	$ 21,300	9 years
Content	800	1.5 years
Website/trade/domain names	5,300	15 years
Acquired technology and others	6,300	4 years
Total	$ 33,700	

FC Ecosystem, LLC

On March 1, 2021, the Company acquired substantially all of the assets relating to the performance marketing services business of FC Ecosystem, LLC, to broaden its customer relationships in the financial services client vertical. In exchange for the assets of FCE, the Company paid $7.0 million in cash upon closing and will make $4.0 million in post-closing payments, payable in equal annual installments over a two year period, with the first installment paid in the third quarter of fiscal year 2022. The purchase consideration also includes contingent consideration of up to an additional $9.0 million, which is payable for two years following the date of closing based on the achievement of revenue and margin targets and is calculated every February 28 for the preceding twelve months.

The following table summarizes the consideration as of the acquisition date (in thousands):

	Estimated Fair Value
Cash	$ 7,000
Post-closing payments, net of imputed interest of $189	3,811
Contingent consideration	2,926
Total	$ 13,737

The acquisition was accounted for as a business combination. The results of the acquired assets have been included in the Company's results of operations since the acquisition date. The Company allocated the purchase price to identifiable intangible assets acquired based on their estimated fair values. The fair value of the intangible assets acquired was determined by the Company based on management's best estimates, and in doing so management engaged a third-party valuation specialist to assist with the measurement. The fair value of the customer relationship was determined using the multi-period excess earnings income approach. The excess of the purchase price over the aggregate fair value of the identifiable intangible assets acquired was recorded as goodwill and is primarily attributable to synergies the Company expects to achieve related to the acquisition. The goodwill is deductible for tax purposes.

The Company has finalized the allocation of the purchase price to the fair values of the identifiable assets acquired as of the acquisition date, upon completion of the measurement period. The following table summarizes the final allocation of the purchase price and the estimated useful lives of the identifiable assets acquired as of the date of the acquisition (in thousands):

	Estimated Fair Value	Estimated Useful Life
Customer/publisher/advertiser relationships	$ 8,600	7 years
Goodwill	5,137	Indefinite
Total	$ 13,737	

Other

In the third quarter of fiscal year 2021, the Company completed the acquisition of certain assets of Mayo Labs, LLC, a performance marketing services company serving the financial services client vertical. The Company paid $2.0 million in cash upon closing and will make $2.0 million in post-closing payments, payable in equal annual installments over a two year period, with the first installment paid in the third quarter of fiscal year 2022.

In the second quarter of fiscal year 2022, the Company completed an immaterial acquisition within the home services client vertical. The Company paid $1.0 million in cash upon closing and will make $2.0 million in post-closing payments, payable in equal annual installments over a two-year period, with the first installment payable twelve months following the date of closing.

In the fourth quarter of fiscal year 2022, the Company completed another immaterial acquisition within the home services client vertical. The Company paid $1.0 million in cash upon closing and will make $1.0 million in post-closing payments, payable in equal annual installments over a two-year period, with the first installment payable twelve months following the date of closing.

The results of these acquisitions have been included in the Company's results of operations since their respective acquisition dates, which were not considered material to the Company.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and the acquired businesses as though these acquisitions had been occurred as of the beginning of fiscal year 2020. The unaudited pro forma financial information is presented for illustrative purposes only and does not necessarily reflect what the combined company's results of operations would have been had the acquisitions occurred as of the beginning of fiscal year 2020, nor is it necessarily indicative of the future results of operations of the combined company.

	Fiscal Year Ended June 30,	
	2021	2020
	(In thousands)	
Net revenue	$ 578,487	$ 561,428
Net income	24,253	23,184

The pro forma financial information for fiscal year 2021 includes the elimination of $698 thousand acquisition costs incurred by the Company that are directly related to the acquisitions, and these costs have been reflected in the fiscal year 2020 financial information. Pro forma results of operations for the acquisitions closed in fiscal year 2022 have not been presented as the financial impact to the Company's consolidated financial statements is immaterial.

7. Divestitures

As a result of the Company's decision to narrow its focus to the best performing businesses and market opportunities, the Company completed a series of business divestitures in fiscal years 2021 and 2020.

Fiscal year 2021

Education Client Vertical

On August 31, 2020, the Company entered into an agreement with a third party to sell its education client vertical for total cash consideration of $20.0 million. The Company recognized a gain of $16.6 million within other income, net on the Company's consolidated statements of operations upon the divestiture of this business in the first quarter of fiscal year 2021.

Fiscal year 2020

Business-to-Business Technology Client Vertical

On February 14, 2020, as a result of the Company's decision to narrow its focus to its best performing businesses and market opportunities, the Company entered into an agreement with a third party to sell its B2B client vertical for a purchase price of $12.9 million. The purchase price consisted of $10.0 million in upfront cash consideration and $2.9 million in a secured promissory note, receivable in equal monthly installments over a 12-month period. The Company recognized a gain of $12.0 million within other income, net on the Company's consolidated statements of operations upon the divestiture of this business in the third quarter of fiscal year 2020.

Mortgage Business

On April 30, 2020, the Company entered into an agreement with a third party to sell its mortgage business for total cash consideration of $3.3 million. The Company recognized a gain of $2.8 million within other income, net on the Company's consolidated statements of operations upon the divestiture of this business in the fourth quarter of fiscal year 2020.

Other

In the third quarter of fiscal year 2020, the Company also completed the divestitures of its wholly owned subsidiaries, QuinStreet Brasil Online Marketing e Midia Ltda ("QSB"), and VEMM, LLC ("VEMM") along with its interests in Euro-Demand Do Brasil Serviços de Geração de Leads Ltda ("EDB"), for combined cash proceeds of $1.1 million; provided, however, the Company retained a minority equity interest in VEMM. The aggregate impact from these divestitures was not considered material to the Company.

8. Balance Sheet Components

Accounts Receivable, Net

Accounts receivable, net was comprised of the following (in thousands):

	June 30,	
	2022	2021
Accounts receivable, gross	$ 82,965	$ 88,938
Less: Allowance for credit losses and revenue reserves	(1,536)	(1,010)
Accounts receivable, net	$ 81,429	$ 87,928

Prepaid Expenses and Other Assets

Prepaid expenses and other assets were comprised of the following (in thousands):

	June 30, 2022	June 30, 2021
Prepaid expenses	$ 4,195	$ 3,843
Income tax receivable	131	3,541
Other assets	598	546
Total	$ 4,924	$ 7,930

Property and Equipment, Net

Property and equipment, net was comprised of the following (in thousands):

	June 30, 2022	June 30, 2021
Computer equipment	$ 14,929	$ 12,997
Software	11,420	11,901
Furniture and fixtures	2,846	3,163
Leasehold improvements	3,011	3,016
Internal software development costs	43,992	39,279
Total property plant and equipment, gross	76,198	70,356
Less: Accumulated depreciation and amortization	(66,887)	(63,507)
Total property plant and equipment, net	$ 9,311	$ 6,849

Depreciation expense was $2.4 million, $1.8 million and $1.3 million for fiscal years 2022, 2021 and 2020. Amortization expense related to internal software development costs was $3.0 million, $2.6 million and $2.4 million for fiscal years 2022, 2021 and 2020.

Accrued liabilities

Accrued liabilities were comprised of the following (in thousands):

	June 30, 2022	June 30, 2021
Accrued media costs	$ 35,552	$ 41,226
Accrued professional service and other business expenses	13,513	10,550
Accrued compensation and related expenses	5,394	5,874
Total	$ 54,459	$ 57,650

9. Intangible Assets, Net and Goodwill

Intangible Assets, Net

Intangible assets, net consisted of the following (in thousands):

	June 30, 2022			June 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer/publisher/advertiser relationships	$ 91,629	$ (52,449)	$ 39,180	$ 90,830	$ (43,485)	$ 47,345
Content	43,056	(43,056)	—	43,056	(42,790)	266
Website/trade/domain names	25,302	(18,853)	6,449	25,102	(18,303)	6,799
Acquired technology and others	34,934	(30,867)	4,067	33,834	(29,067)	4,767
Total	$ 194,921	$ (145,225)	$ 49,696	$ 192,822	$ (133,645)	$ 59,177

Amortization of intangible assets was $11.6 million, $11.9 million and $7.8 million for fiscal years 2022, 2021 and 2020.

Future amortization expense for the Company's intangible assets as of June 30, 2022 was as follows (in thousands):

Fiscal Year Ending June 30,	Amortization
2023	$ 11,122
2024	10,185
2025	8,045
2026	5,420
2027	4,473
Thereafter	10,451
Total	$ 49,696

Goodwill

The changes in the carrying amount of goodwill for fiscal years 2022 and 2021 were as follows (in thousands):

	Goodwill
Balance at June 30, 2020	$ 80,677
Goodwill acquired (1)	40,368
Goodwill disposed (2)	(3,212)
Balance at June 30, 2021	117,833
Goodwill acquired (1)	3,308
Balance at June 30, 2022	$ 121,141

(1) Represents goodwill acquired associated with the business acquisitions of Modernize, FCE and Mayo Labs completed in fiscal year 2021, and two immaterial business acquisitions completed in fiscal year 2022. See Note 6, *Acquisitions*, for more information.

(2) Represents goodwill disposed associated with the business divestitures completed in fiscal year 2021. See Note 7, *Divestitures*, for more information.

10. Income Taxes

The components of (loss) income before income taxes were as follows (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
US	$ (6,022)	$ 29,433	$ 17,824
Foreign	260	(104)	862
Total	$ (5,762)	$ 29,329	$ 18,686

The components of the (benefit from) provision for income taxes were as follows (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Current:			
Federal	$ —	$ (3)	$ —
State	176	252	(3,110)
Foreign	195	187	218
Total current provision for (benefit from) income taxes	371	436	(2,892)
Deferred:			
Federal	(1,032)	4,732	2,504
State	147	606	972
Foreign	—	—	—
Total deferred (benefit from) provision for income taxes	(885)	5,338	3,476
Total (benefit from) provision for income taxes	$ (514)	$ 5,774	$ 584

The fiscal 2021 and 2020 provision for income taxes reconciliations have been recast to dollar amounts versus a percentage of income before taxes for comparability to the fiscal 2022 presentation. The reconciliation between the statutory federal income tax (benefit) expense and the Company's effective tax (benefit) expense was as follows (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Statutory federal tax	$ (1,210)	$ 6,180	$ 3,924
States taxes, net of federal (benefit) expense	(314)	206	(2,124)
Foreign rate differential	11	59	390
Stock-based compensation benefit	(774)	(2,744)	(1,633)
Change in valuation allowance	(1,034)	671	(444)
Research and development credits	(1,174)	(1,131)	(759)
Disqualified compensation expense	1,806	2,219	993
Uncertain tax position	385	349	333
Business divestitures	—	—	(241)
Expired attributes	261	—	—
Foreign deferred adjustment	1,354	—	—
Other	175	(35)	145
Effective income tax	$ (514)	$ 5,774	$ 584

The components of the long-term deferred tax assets and liabilities, net were as follows (in thousands):

	June 30, 2022	June 30, 2021
Noncurrent deferred tax assets:		
Reserves and accruals	$ 1,019	$ 1,608
Stock-based compensation expense	3,400	3,841
Intangible assets	—	4,444
Net operating loss	34,684	30,440
Fixed assets	217	135
Tax credits	11,748	10,279
Operating lease liabilities	1,894	3,108
Other	39	38
Total noncurrent deferred tax assets	53,001	53,893
Valuation allowance - long-term	(7,160)	(8,193)
Noncurrent deferred tax assets, net	45,841	45,700
Noncurrent deferred tax liabilities:		
Intangibles	(2)	—
Deferred acquisition costs	(215)	—
Operating lease right-of-use assets	(1,404)	(2,364)
Noncurrent deferred tax liabilities	(1,621)	(2,364)
Total deferred tax assets, net	$ 44,220	$ 43,336

The Company has a gross deferred tax asset balance of $44.2 million and $43.3 million as of June 30, 2022 and 2021, respectively. The Company has a valuation allowance of approximately $7.2 million and $8.2 million as of June 30, 2022, and 2021, respectively primarily related to deferred tax assets of a foreign subsidiary and California research and development tax credits. The Company continues to reassess the ability to realize its deferred tax assets on a quarterly basis, and if there are unfavorable changes to actual operating results or to projections of future income, the Company may determine that it is more likely than not that such deferred tax assets may not be realizable.

As of June 30, 2022 and 2021, the Company had a federal operating loss carryforward of approximately $138.1 million and $117.7 million. As of June 30, 2022 and 2021, the Company's state operating loss carryforward was approximately $78.0 million and $70.4 million. With the exception of $54.7 million of federal net operating losses which can be carried forward indefinitely, the federal and state net operating losses, if not used, will begin to expire on June 30, 2035 and June 30, 2034. The operating loss carryforward in the India jurisdiction was approximately $3.6 million which will begin to expire on June 30, 2023. The Company has federal and California research and development tax credit carry-forwards of approximately $7.3 million and $10.3 million to offset future taxable income. The federal research and development tax credits, if not used, will begin to expire on June 30, 2034, while the state tax credit carry-forwards do not have an expiration date and may be carried forward indefinitely.

Utilization of the operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of operating loss carryforwards and credits before utilization.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits was as follows (in thousands):

	Fiscal Year Ended June 30, 2022	2021	2020
Balance at the beginning of the year	$ 4,756	$ 4,236	$ 3,727
Gross increases - current period tax positions	542	535	406
Gross increases - prior period tax positions	—	—	106
Gross decreases - prior period tax positions	—	(7)	—
Reductions as a result of lapsed statute of limitations	(2)	(8)	(3)
Balance at the end of the year	$ 5,296	$ 4,756	$ 4,236

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the Company's (benefit from) provision for income taxes. As of June 30, 2022, the Company has accrued $1.4 million for interest and penalties related to the unrecognized tax benefits. The balance of interest and penalties is recorded as a noncurrent liability in the Company's consolidated balance sheet.

As of June 30, 2022, unrecognized tax benefits of $2.9 million, if recognized, would affect the Company's effective tax rate. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company files income tax returns in the United States, various U.S. states and certain foreign jurisdictions and is no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations by tax authorities for years before 2013. As of June 30, 2022, the tax years 2013 through 2020 remain open in the U.S., and the tax years 2015 through 2019 remain open in various foreign jurisdictions. The Company believes that adequate amounts have been reserved for any adjustments that may ultimately result from our examinations.

11. Leases

The Company has operating leases primarily for its office facilities. The leases expire at various dates through fiscal year 2026, some of which include options to renew, with renewal terms of up to 5 years. The Company does not include any renewal options in the lease terms for calculating lease liability, as the renewal options allow the Company to maintain operational flexibility and the Company is not reasonably certain that it will exercise these renewal options at the time of the lease commencement.

The components of lease expense for fiscal years 2022, 2021 and 2020 were as follows (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Operating lease expense	$ 5,172	$ 5,247	$ 3,940
Short-term lease expense	619	785	1,119
Variable lease expense [1]	676	571	580
Total lease expense	$ 6,467	$ 6,603	$ 5,639

[1] Variable lease expense for fiscal years 2022, 2021 and 2020 primarily included common area maintenance charges.

Supplemental information related to operating leases was as follows (in thousands, except lease term and discount rate):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows used for operating leases	$ 6,206	$ 6,066	$ 3,675
Lease liabilities arising from obtaining right-of-use assets			
Operating leases	$ 564	$ 6,981	$ 423
Weighted average remaining lease term - operating leases	1.9 years	2.7 years	3.2 years
Weighted average discount rate - operating leases	5.1%	5.0%	4.6%

The implicit rate within each lease is not readily determinable and therefore the Company uses its incremental borrowing rate at the lease commencement date to determine the present value of the lease payments. The determination of the incremental borrowing rate requires judgement. The Company determined its incremental borrowing rate for each lease using indicative bank borrowing rates, adjusted for various factors including level of collateralization, term and currency to align with the terms of a lease.

Maturities of operating lease liabilities as of June 30, 2022 were as follows (in thousands):

Fiscal Year Ending June 30,	Amount
2023	$ 5,855
2024	3,797
2025	860
2026	71
2027	—
Thereafter	—
Total minimum lease payments	$ 10,583
Less imputed interest	(1,659)
Present value of net minimum lease payments	$ 8,924
Operating lease liabilities:	
Current	5,066
Noncurrent	3,858
Total	$ 8,924

Total future principal contractual obligations for operating lease commitments exceeded the undiscounted lease liability by $0.2 million as of June 30, 2022, primarily because the lease liability excluded short-term lease payments (due to the adoption of the short-term lease exemption).

12. Commitments and Contingencies

Guarantor Arrangements

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the officer or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts under certain circumstances and subject to deductibles and exclusions. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is not material. Accordingly, the Company had no liabilities recorded for these agreements as of June 30, 2022 and June 30, 2021.

In the ordinary course of its business, the Company from time to time enters into standard indemnification provisions in its agreements with its clients. Pursuant to these provisions, the Company may be obligated to indemnify its clients for certain losses suffered or incurred, including losses arising from violations of applicable law by the Company or by its third-party publishers, losses arising from actions or omissions of the Company or its third-party publishers, and for third-party claims that a Company product infringed upon any United States patent, copyright, or other intellectual property rights. Where practicable, the Company limits its liabilities under such indemnities. Subject to these limitations, the term of such indemnification provisions is generally coterminous with the corresponding agreements and survives for the duration of the applicable statute of limitations after termination of the agreement. The potential amount of future payments to defend lawsuits or settle indemnified claims under these indemnification provisions is generally limited and the Company believes the estimated fair value of these indemnity provisions is not material. Accordingly, the Company had no liabilities recorded for these agreements as of June 30, 2022 and June 30, 2021.

Letters of Credit

The Company has a $0.5 million letter of credit agreement with a financial institution that is used as collateral for the Company's corporate headquarters' operating lease. The letter of credit automatically renews annually without amendment unless cancelled by the financial institution within 30 days of the annual expiration date.

13. Stockholders' Equity

Stock Repurchases

In April 2022, the Board of Directors canceled the prior stock repurchase program that commenced in July 2017 and authorized a new stock repurchase program allowing the repurchase of up to $40.0 million worth of common stock. In fiscal year 2022, the Company repurchased 1,652,043 shares of its common stock at an average price of $10.23 per share, at a total cost of $16.9 million (including a broker commission of $0.03 per share). Repurchases under this program took place in the open market and were made under a Rule 10b5-1 plan. The repurchased shares of common stock were recorded as treasury stock and were accounted for under the cost method. As of June 30, 2022, approximately $23.1 million remained available for stock repurchases pursuant to the board authorization.

Retirement of Treasury Stock

In fiscal year 2022, the Company retired 1,652,043 shares of its common stock with a carrying value of $16.9 million (including 170,197 shares for $1.7 million that were repurchased but not settled as of June 30, 2022). The Company's accounting policy upon the retirement of treasury stock is to deduct its par value from common stock and reduce additional paid-in capital by the amount recorded in additional paid-in capital when the stock was originally issued.

14. Stock Benefit Plans

Stock-Based Compensation

In fiscal years 2022, 2021 and 2020, the Company recorded stock-based compensation expense of $18.5 million, $19.6 million and $16.7 million. In fiscal years 2022, 2021 and 2020, the Company recognized tax benefits related to stock-based compensation of $0.8 million, $2.6 million and $1.6 million, which are reflected in the Company's benefit from (provision for) income taxes.

Stock Incentive Plans

In November 2009, the Company's board of directors adopted the 2010 Equity Incentive Plan (the "2010 Incentive Plan") and the Company's stockholders approved the 2010 Incentive Plan in January 2010. The 2010 Incentive Plan became effective upon the completion of the IPO of the Company's common stock in February 2010. Awards granted after January 2008 but before the adoption of the 2010 Incentive Plan continue to be governed by the terms of the 2008 Equity Incentive Plan. All outstanding stock awards granted before January 2008 continue to be governed by the terms of the Company's amended and restated 1999 Equity Incentive Plan.

The 2010 Incentive Plan provides for the grant of incentive stock options ("ISOs"), nonstatutory stock options ("NQSOs"), restricted stock, restricted stock units ("RSUs"), stock appreciation rights, performance-based stock awards and other forms of equity compensation, as well as for the grant of performance cash awards. The Company may issue ISOs only to its employees. NQSOs and all other awards may be granted to employees, including officers, nonemployee directors and consultants.

Prior to fiscal year 2016, the Company granted service-based RSUs. In fiscal year 2016, the Company also began granting market-based RSUs that requires the Company's stock price achieve a specified price above the grant date stock price before it can be eligible for service vesting conditions. In fiscal year 2019, the Company began granting to employees performance-based RSUs that vest variably subject to the achievement of performance targets, consisting of both revenue growth and adjusted EBITDA targets. The Company evaluates the portion of the awards that are probable to vest quarterly until the performance criteria are met. To date, the Company has issued ISOs, NQSOs, service-based RSUs, market-based RSUs, and performance-based RSUs under the 2010 Incentive Plan. ISOs and NQSOs are generally granted to employees with an exercise price equal to the market price of the Company's common stock at the date of grant. Stock options granted to employees generally have a contractual term of seven years and vest over four years of continuous service, with 25 percent of the stock options vesting on the one-year anniversary of the date of grant and the remaining 75 percent vesting in equal monthly installments over the three year period thereafter. RSUs generally vest over four years of continuous service, with 25 percent of the RSUs vesting on the one-year anniversary of the date of grant and 6.25 percent vesting quarterly thereafter for the next 12 quarters, subject to any performance or stock price targets.

An aggregate of 23,125,612 shares of the Company's common stock were reserved for issuance under the 2010 Incentive Plan as of June 30, 2022, and this amount will be increased by any outstanding stock awards that expire or terminate for any reason prior to their exercise or settlement. The number of shares of the Company's common stock reserved for issuance was increased annually through July 1, 2019 by up to five percent of the total number of shares of the Company's common stock outstanding on the last day of the preceding fiscal year. The maximum number of shares that may be issued under the 2010 Incentive Plan is 30,000,000. There were 13,286,740 shares available for issuance under the 2010 Incentive Plan as of June 30, 2022.

In November 2009, the Company's board of directors adopted the 2010 Non-Employee Directors' Stock Award Plan (the "Directors' Plan") and the stockholders approved the Directors' Plan in January 2010. The Directors' Plan became effective upon the completion of the Company's IPO. The Directors' Plan provides for the automatic grant of NQSOs and RSUs to non-employee directors and also provides for the discretionary grant of NQSOs and RSUs. Stock options granted to new non-employee directors vest in equal monthly installments over four years and annual stock option grants to existing directors vest in equal monthly installments over one year. Prior to fiscal year 2015, initial service-based RSU grants vested quarterly over a period of four years and annual service-based RSU grants vested quarterly over a period of one year. Beginning in fiscal year 2015, initial service-based RSU grants vest daily over a period of four years and annual service-based RSU grants vest daily over a period of one year.

An aggregate of 4,598,838 shares of the Company's common stock were reserved for issuance under the Directors' Plan as of June 30, 2022. This amount was increased annually through July 1, 2019, by the sum of 200,000 shares and the aggregate number of shares of the Company's common stock subject to awards granted under the Directors' Plan during the immediately preceding fiscal year. There were 2,160,500 shares available for issuance under the Directors' Plan as of June 30, 2022.

Valuation Assumptions

The Company uses the Black-Scholes option-pricing model to fair value its stock options. Options are granted with an exercise price equal to the fair value of the common stock at the date of grant. The Company calculates the weighted-average expected life of options using the simplified method pursuant to the accounting guidance for share-based payments as its historical exercise experience does not provide a reasonable basis upon which to estimate expected term. The Company estimates the expected volatility of its common stock based on its historical volatility over the expected term of the stock option. The Company has no history or expectation of paying dividends on its common stock. The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected term of the stock option.

The weighted-average Black-Scholes model assumptions and the weighted-average grant date fair value of stock options in fiscal years 2022, 2021 and 2020 were as follows:

	Fiscal Year Ended June 30,		
	2022	**2021**	**2020**
Expected term (in years)	4.4	4.5	4.3
Expected volatility	58%	61%	58%
Expected dividend yield	—	—	—
Risk-free interest rate	1.0%	0.6%	1.4%
Grant date fair value	$ 8.12	$ 7.85	$ 5.30

Stock Option Award Activity

The following table summarizes the stock option award activity under the plans in fiscal years 2022 and 2021:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2020	1,596,853	$ 5.25	3.18	$ 8,892
Granted	106,186	16.28		
Exercised	(758,447)	5.64		
Forfeited	(17,051)	9.28		
Expired	(9,448)	8.89		
Outstanding at June 30, 2021	918,093	$ 6.10	2.89	$ 11,578
Granted	58,420	17.38		
Exercised	(412,941)	4.48		
Forfeited	(9,134)	11.36		
Expired	(6,819)	13.78		
Outstanding at June 30, 2022	547,619	$ 8.33	2.76	$ 2,110
Vested and expected-to-vest at June 30, 2022 [1]	538,186	$ 8.17	2.71	$ 2,109
Vested and exercisable at June 30, 2022	440,250	$ 6.19	2.06	$ 2,106

[1] The expected-to-vest options are the result of applying the pre-vesting forfeiture assumption to total outstanding options.

The following table summarizes outstanding and exercisable stock options by range of exercise price as of June 30, 2022:

	Options Outstanding			Options Exercisable	
Range or Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$3.40 - $3.40	50,000	1.59	$ 3.40	50,000	$ 3.40
$3.63 - $3.63	137,125	1.08	$ 3.63	137,125	$ 3.63
$4.01 - $4.01	103,675	2.06	$ 4.01	103,128	$ 4.01
$5.80 - $7.20	66,666	0.70	$ 6.06	66,666	$ 6.06
$9.69 - $11.71	61,586	5.17	$ 11.49	33,734	$ 11.35
$11.98 - $17.16	25,329	3.76	$ 13.74	20,554	$ 13.71
$18.32 - $18.32	50,000	6.07	$ 18.32	11,458	$ 18.32
$18.35 - $18.35	1,890	3.01	$ 18.35	1,654	$ 18.35
$20.73 - $20.73	50,000	5.83	$ 20.73	14,583	$ 20.73
$24.46 - $24.46	1,348	5.61	$ 24.46	1,348	$ 24.46
$3.40 - $24.46	547,619	2.76	$ 8.33	440,250	$ 6.19

The following table summarizes the total intrinsic value, the cash received and the actual tax benefit of all options exercised in fiscal years 2022, 2021 and 2020 (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Intrinsic value	$ 4,262	$ 9,408	$ 6,145
Cash received	1,850	4,279	4,480
Tax benefit	725	1,569	894

As of June 30, 2022, there was $0.8 million of total unrecognized compensation expense related to unvested stock options which are expected to be recognized over a weighted-average period of 2.7 years.

Service-Based Restricted Stock Unit Activity

The following table summarizes the service-based RSU activity under the plans in fiscal years 2022 and 2021:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2020	1,842,378	$ 12.37	1.11	$ 18,794
Granted	1,026,425	13.28		
Vested	(872,952)	11.83		
Forfeited	(118,211)	14.14		
Outstanding at June 30, 2021	1,877,640	$ 12.97	1.26	$ 34,039
Granted	1,134,351	16.05		
Vested	(751,246)	13.34		
Forfeited	(370,264)	14.68		
Outstanding at June 30, 2022	1,890,481	$ 14.33	1.32	$ 19,018

As of June 30, 2022, there was $18.9 million of total unrecognized compensation expense related to service-based RSUs.

Market-Based Restricted Stock Unit Activity

The following table summarizes the market-based RSU activity under the 2010 Incentive Plan in fiscal years 2022 and 2021:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2020	27,346	$ 5.61	0.52	$ 763
Granted	—	—		
Vested	(20,507)	4.60		
Forfeited	(2,999)	8.90		
Outstanding at June 30, 2021	3,840	$ 8.43	0.37	$ 919
Granted	—	—		
Vested	(3,783)	8.45		
Forfeited	(57)	7.01		
Outstanding at June 30, 2022	—	$ —	—	$ —

As of June 30, 2022, there was no unrecognized compensation expense remaining related to market-based RSUs.

Performance-Based Restricted Stock Unit Activity

The following table summarizes the performance-based RSU activity under the 2010 Incentive Plan in fiscal years 2022 and 2021:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2020	1,097,642	$ 12.37	1.30	$ 11,481
Granted	704,485	18.58		
Vested	(418,464)	13.37		
Forfeited	(125,325)	13.89		
Outstanding at June 30, 2021	1,258,338	$ 16.10	1.19	$ 23,380
Granted	754,572	10.06		
Vested	(539,108)	16.15		
Forfeited	(249,825)	13.74		
Outstanding at June 30, 2022	1,223,977	$ 13.32	1.12	$ 12,313

As of June 30, 2022, there was $4.5 million of total unrecognized compensation expense related to performance-based RSUs.

At the time of vesting, a portion of RSUs are withheld by the Company to provide for federal and state tax withholding obligations resulting from the release of the RSUs.

Employee Stock Purchase Plan

In October 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the “2021 ESPP”), with 2,164,999 shares of common stock reserved for future issuance under the plan. The 2021 ESPP allows eligible employees to purchase shares of the Company’s common stock at a discount through payroll deductions of up to 15% of their eligible compensation. The 2021 ESPP provides for consecutive offering periods that will typically have a duration of approximately 24 months in length, and each offering period is comprised of four purchase periods of approximately six months in length.

On each purchase date, eligible employees may purchase the Company’s common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the common stock on the first trading day of each offering period, or (2) the fair market value of the common stock on the purchase date. A participant may purchase up to a maximum of 2,500 shares of the common stock during each purchase period, subject to a maximum of $25,000 worth of shares of the common stock in each calendar year (as determined under applicable tax rules). If the fair market value of the common stock on any purchase date is lower than it was on the first trading day of that offering period, participants will be automatically withdrawn from the current offering period and be immediately re-enrolled in a new offering period.

As of June 30, 2022, the Company has not issued any shares of common stock under the 2021 ESPP.

ESPP employee payroll contributions accrued as of June 30, 2022 were $0.9 million, and are included within accrued liabilities on the Company’s consolidated balance sheet. Payroll contributions accrued as of June 30, 2022 will be used to purchase shares at the end of the current ESPP purchase period ending on August 24, 2022.

The fair value of the purchase rights for the ESPP are estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Fiscal Year Ended June 30, 2022
Expected term (in years)	0.5 - 2.0
Expected volatility	48% - 64%
Expected dividend yield	—
Risk-free interest rate	0.3% - 1.0%
Grant date fair value	$3.72 - $5.33

15. Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker, its chief executive officer, reviews financial information presented on a consolidated basis, and no expense or operating income is evaluated at a segment level. Given the consolidated level of review by the Company's chief executive officer, the Company operates as one reportable segment.

The following tables set forth net revenue and long-lived assets by geographic area (in thousands):

	Fiscal Year Ended June 30,		
	2022	2021	2020
Net revenue:			
United States	$ 559,984	$ 566,589	$ 475,208
International	22,115	11,898	15,131
Total net revenue	$ 582,099	$ 578,487	$ 490,339

	June 30,	
	2022	2021
Property and equipment, net:		
United States	$ 9,095	$ 6,672
International	216	177
Total property and equipment, net	$ 9,311	$ 6,849

	June 30,	
	2022	2021
Other intangible assets, net:		
United States	$ 49,696	$ 59,177
International	—	—
Total other intangible assets, net	$ 49,696	$ 59,177

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosures and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of internal control effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of the internal control over financial reporting as of June 30, 2022. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control — Integrated Framework (2013 Framework). Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of June 30, 2022.

The effectiveness of our internal control over financial reporting as of June 30, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that the majority of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item concerning directors and executive officers is incorporated herein by reference from the sections to be titled "Election of Class III Directors," "Board of Directors" and "Directors and Executive Officers" in our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2022 annual meeting of stockholders (the "Proxy Statement"). The Proxy Statement is expected to be filed no later than 120 days after the end of our fiscal year ended June 30, 2022.

The information required by this item with respect to Section 16(a) of the Exchange Act is incorporated herein by reference from the section to be titled "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement.

Code of Ethics

We have adopted a Code of Conduct and Ethics that applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), and directors. We will make any required disclosure of future amendments to our Code of Conduct and Ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on the investor relations page of our corporate website *(www.quinstreet.com).*

Item 11. *Executive Compensation*

The information required by this item will be set forth in the sections to be titled "Report of the Compensation Committee," "Board of Directors" and "Executive Compensation" in our Proxy Statement and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item will be set forth in the sections to be titled "Executive Compensation" and "Stock Ownership of Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item will be included in the section to be titled "Stock Ownership of Certain Beneficial Owners and Management" and "Board of Directors" in the Proxy Statement and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this item will be set forth in the section to be titled "Ratification of the Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm" in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

2. Financial Statement Schedules

The following financial statement schedule is filed as a part of this report:

Schedule II: Valuation and Qualifying Accounts

The activity in the allowance for doubtful accounts and the deferred tax asset valuation allowance are as follows (in thousands):

	Balance at the beginning of the year	Charged to expenses/against revenue [1]	Write-offs net of recoveries	Balance at the end of the year
Allowance for doubtful accounts				
Fiscal year 2020	$ 10,298	$ 630	$ (751)	$ 10,177
Fiscal year 2021	$ 10,177	$ 393	$ (9,560)	$ 1,010
Fiscal year 2022	$ 1,010	$ 581	$ (55)	$ 1,536
Deferred tax asset valuation allowance				
Fiscal year 2020	$ 8,346	$ (784)	$ (39)	$ 7,523
Fiscal year 2021	$ 7,523	$ 387	$ 283	$ 8,193
Fiscal year 2022	$ 8,193	$ 9	$ (1,042)	$ 7,160

(1) Additions to the allowance for doubtful accounts and the valuation allowance are charged to expense. Additions to the allowance for sales returns are charged against revenue.

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

(b) Exhibits

Exhibit Number	Description of Exhibit	Form	File Number	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated November 5, 2010, by and among QuinStreet, Inc., Car Insurance.com, Inc., Car Insurance Agency, Inc., Car Insurance Holdings, Inc., CarInsurance.com, Inc., Lloyd Register IV, Lloyd Register III, David Fitzgerald, Timothy Register, Randy Horowitz and Erick Pace.	8-K	001-34628	2.1	November 8, 2010
3.1	Amended and Restated Certificate of Incorporation.	S-1/A	333-163228	3.2	December 22, 2009
3.2	Bylaws.	S-1/A	333-163228	3.4	December 22, 2009
4.1	Form of QuinStreet, Inc.'s Common Stock Certificate.	S-1/A	333-163228	4.1	January 14, 2010
10.1+	QuinStreet, Inc. 2008 Equity Incentive Plan.	S-1	333-163228	10.1	November 19, 2009
10.2+	Forms of Option Agreement and Option Grant Notice under 2008 Equity Incentive Plan (for non-executive officer employees).	S-1	333-163228	10.2	November 19, 2009
10.3+	Forms of Option Agreement and Option Grant Notice under 2008 Equity Incentive Plan (for executive officers).	S-1	333-163228	10.3	November 19, 2009
10.4+	Forms of Option Agreement and Option Grant Notice under 2008 Equity Incentive Plan (for non-employee directors).	S-1	333-163228	10.4	November 19, 2009
10.5+	QuinStreet, Inc. 2010 Equity Incentive Plan.	S-8	333-165534	99.9	March 17, 2010
10.6+	Forms of Option Agreement and Option Grant Notice under 2010 Equity Incentive Plan (for non-executive officer employees).	S-8	333-165534	99.10	March 17, 2010
10.7+	Forms of Option Agreement and Option Grant Notice under 2010 Equity Incentive Plan (for executive officers).	S-8	333-165534	99.11	March 17, 2010
10.8+	Forms of Senior Management Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan (for executive officers).	10-K	001-34628	10.8	August 23, 2012
10.9+	Forms of Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan (for non-executive officer employees).	10-K	001-34628	10.9	August 23, 2012
10.10+	Form of Restricted Stock Unit Agreement under 2010 Equity Incentive Plan (for non-employee directors).	10-K	001-34628	10.10	August 20, 2013
10.11+	QuinStreet, Inc. 2010 Non-Employee Directors' Stock Award Plan.	S-8	333-165534	99.12	March 17, 2010
10.12+	Forms of Option Agreement and Option Grant Notice for Initial Grants under the 2010 Non-Employee Directors' Stock Award Plan.	S-8	333-165534	99.13	March 17, 2010
10.13+	Forms of Option Agreement and Option Grant Notice for Annual Grants under the 2010 Non-Employee Directors' Stock Award Plan.	S-8	333-165534	99.14	March 17, 2010
10.15+	Annual Incentive Plan.	S-1/A	333-163228	10.12	January 14, 2010

10.16	Second Amended and Restated Revolving Credit and Term Loan Agreement, by and among QuinStreet, Inc., the lenders thereto and Comerica Bank as Administrative Agent Sole Lead Arranger and Sole Bookrunner, Bank of America N.A. as Syndication Agent, and Union Bank, N.A. as Documentation Agent dated as of November 4, 2011.	10-Q	001-34628	10.1	November 8, 2011
10.17	First Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Guaranty dated as of February 15, 2013.	10-Q	001-34628	10.1	February 15, 2013
10.18	Office Lease Metro Center, dated as of February 25, 2010, between the registrant and CA-Metro Center Limited Partnership.	10-Q	001-34628	10.1	May 12, 2010
10.19+	Form of Indemnification Agreement made by and between QuinStreet, Inc. and each of its directors and executive officers.	S-1/A	333-163228	10.19	January 26, 2010
10.20	Assurance of Voluntary Compliance dated June 26, 2012 by and among QuinStreet, Inc. and the Attorneys General of the States of Alabama, Arizona, Arkansas, Delaware, Florida, Idaho, Illinois, Iowa, Kentucky, Massachusetts, Mississippi, Missouri, Nevada, New York, North Carolina, Ohio, Oregon, South Carolina, Tennessee and West Virginia.	8-K	001-34628	10.1	June 27, 2012
10.26	Second Amendment to the Second Amended and Restated Revolving Credit and Term Loan Agreement, as amended from time to time, dated as of July 17, 2014, by and among QuinStreet, Inc., Comerica Bank, as administrative agent, and certain lenders party thereto.	8-K	001-34628	10.1	July 22, 2014
10.27+	Forms of Senior Management Performance-Based Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan (for executive officers).	10-K	001-34628	10.27	September 12, 2014
10.28+	Form of Deferred Restricted Stock Unit Agreement under 2010 Non-Employee Directors’ Stock Award Plan.	10-Q	001-34628	10.1	February 6, 2015
10.29	Third Amendment, to the Second Amended and Restated Revolving Credit and Term Loan Agreement, as amended from time to time, dated as of June 11, 2015, by and among QuinStreet, Inc., Comerica Bank, as administrative agent, and certain lenders party thereto.	8-K	001-34628	10.1	June 12, 2015
10.30+	Forms of Performance-Based Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan (for non-executive officer employees).	10-K	001-34628	10.30	August 19, 2015
10.31	Counselor Agreement dated December 31, 2015 between the Company and William Bradley.	10-Q	001-34628	10.1	February 9, 2016
10.32	Form of Change in Control Severance Agreement.	10-Q	001-34628	10.1	November 9, 2016
10.33+	Forms of Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan (for employees with a Change in Control Severance Agreement).	10-K	001-34628	10.33	September 8, 2017
10.34+	Forms of Option Agreement and Option Grant Notice under 2010 Equity Incentive Plan (for employees with a	10-K	001-34628	10.34	September 8, 2017

	Change in Control Severance Agreement).				
10.35	Amended Office Lease Metro Center, dated February 25, 2010 between the registrant and CA-Metro Center Limited Partnership	10-K	001-34628	10.35	September 12, 2018
10.36#	Share Purchase Agreement between QuinStreet, Inc., AmOne Corp., and Rod Romero dated October 1, 2018.	8-K	001-34628	2.1	October 5, 2018
10.37+	Forms of Performance-Based Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan with Revenue and Adjusted EBITDA Performance Metrics (for non-executive officer employees).	10-Q	001-34628	10.36	November 9, 2018
10.38+	Forms of Performance-Based Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan with Revenue and Adjusted EBITDA Performance Metrics (for executive officer).	10-Q	001-34628	10.37	November 9, 2018
10.39+	Forms of Performance-Based Restricted Stock Unit (RSU) Grant Notice and Agreement under 2010 Equity Incentive Plan with Revenue and Adjusted EBITDA Performance Metrics (for employees with a Change in Control Severance Agreement).	10-Q	001-34628	10.38	November 9, 2018
10.40+	QuinStreet, Inc. 2021 Employee Stock Purchase Plan	S-8	333-260769	99.1	November 4, 2021
23.1*	Consent of Independent Registered Public Accounting Firm (PCAOB ID 238)				
24.1*	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K).				
31.1*	Certification of the Chief Executive Officer of QuinStreet, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act.				
31.2*	Certification of the Chief Financial Officer of QuinStreet, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act.				
32.1**	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				

101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101. LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101. PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

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* Filed herewith.

** Furnished herewith.

\+ Indicates management contract or compensatory plan.

\# The schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. QuinStreet, Inc. will furnish copies of such schedules to the SEC upon its request; provided, however, that QuinStreet, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule so furnished.

Item 16. ***Form 10-K Summary***

None**.**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on August 22, 2022.

QuinStreet, Inc.

By: /s/ Douglas Valenti
Douglas Valenti
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Douglas Valenti and Gregory Wong, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission hereby ratifying and confirming that each of said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Douglas Valenti Douglas Valenti	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	August 22, 2022
/s/ Gregory Wong Gregory Wong	Chief Financial Officer (Principal Financial and Accounting Officer)	August 22, 2022
/s/ Asmau Ahmed Asmau Ahmed	Director	August 22, 2022
/s/ Anna Fieler Anna Fieler	Director	August 22, 2022
/s/ Matthew Glickman Matthew Glickman	Director	August 22, 2022
/s/ Stuart Huizinga Stuart Huizinga	Director	August 22, 2022
/s/ David Pauldine David Pauldine	Director	August 22, 2022
/s/ Andrew Sheehan Andrew Sheehan	Director	August 22, 2022
/s/ James Simons James Simons	Director	August 22, 2022
/s/ Hillary Smith Hillary Smith	Director	August 22, 2022

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-260769, 333-233532, 333-227296, 333-220397, 333-213220, 333-206472, 333-198714, 333-190735, 333-183517, 333-176272, 333-168322 and 333-165534) of QuinStreet, Inc. of our report dated August 22, 2022 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
August 22, 2022

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Douglas Valenti, certify that:

1. I have reviewed this annual report on Form 10-K of QuinStreet, 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 company as of, and for, the periods presented in this report;

4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company'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 company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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.

Date: August 22, 2022

/s/ Douglas Valenti
Douglas Valenti
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT

I, Gregory Wong, certify that:

1. I have reviewed this annual report on Form 10-K of QuinStreet, 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 company as of, and for, the periods presented in this report;

4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company'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 company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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.

Date: August 22, 2022

/s/ Gregory Wong
Gregory Wong
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the report on Form 10-K of QuinStreet, Inc. (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Douglas Valenti, the Chief Executive Officer and Gregory Wong, the Chief Financial Officer of QuinStreet, Inc., each certifies that, to the best of his knowledge:

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

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

Date: August 22, 2022

/s/ Douglas Valenti
Name: Douglas Valenti
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Gregory Wong
Name: Gregory Wong
Chief Financial Officer
(Principal Financial and Accounting Officer)

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