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

FORM 10-Q

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

For the quarterly period ended March 31, 2021

or

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

For the transition period from to
Commission File No. 001-34628

QuinStreet, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**77-0512121** **(I.R.S. Employer Identification No.)**
950 Tower Lane, 6th Floor **Foster City, California** **(Address of principal executive offices)**	**94404** **(Zip Code)**

650-578-7700
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)**

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Number of shares of common stock outstanding as of May 5, 2021: 53,619,471

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2021		June 30, 2020	
Assets				
Current assets:				
Cash and cash equivalents	$	103,202	$	107,509
Accounts receivable, net of allowances and reserves of $1,292 and $10,177 as of March 31, 2021 and June 30, 2020, respectively		82,331		64,472
Prepaid expenses and other assets		8,538		13,591
Total current assets		194,071		185,572
Property and equipment, net		6,810		5,657
Operating lease right-of-use assets		11,448		9,118
Goodwill		118,209		80,677
Other intangible assets, net		62,201		28,174
Deferred tax assets, noncurrent		44,503		48,673
Other assets, noncurrent		5,253		536
Total assets	$	442,495	$	358,407
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$	39,848	$	36,759
Accrued liabilities		56,634		42,271
Deferred revenue		87		73
Other liabilities		15,143		6,734
Total current liabilities		111,712		85,837
Operating lease liabilities, noncurrent		9,442		8,692
Other liabilities, noncurrent		32,774		7,934
Total liabilities		153,928		102,463
Commitments and contingencies (See Note 12)				
Stockholders' equity:				
Common stock: $0.001 par value; 100,000,000 shares authorized; 53,612,299 and 52,209,813 shares issued and outstanding at March 31, 2021 and June 30, 2020		54		52
Additional paid-in capital		317,132		304,650
Accumulated other comprehensive loss		(282)		(237)
Accumulated deficit		(28,337)		(48,521)
Total stockholders' equity		288,567		255,944
Total liabilities and stockholders' equity	$	442,495	$	358,407

See notes to condensed consolidated financial statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenue	$ 153,052	$ 128,663	$ 427,289	$ 373,378
Cost of revenue (1)	132,665	114,210	375,334	332,717
Gross profit	20,387	14,453	51,955	40,661
Operating expenses: (1)				
Product development	4,905	3,250	14,776	10,205
Sales and marketing	2,768	2,116	8,303	7,071
General and administrative	6,460	5,076	19,931	16,399
Operating income	6,254	4,011	8,945	6,986
Interest income	5	43	40	169
Interest expense	(301)	(177)	(947)	(566)
Other (expense) income, net	(28)	10,491	16,695	10,225
Income before income taxes	5,930	14,368	24,733	16,814
Provision for income taxes	(893)	(449)	(4,549)	(214)
Net income	$ 5,037	$ 13,919	$ 20,184	$ 16,600
Net income per share:				
Basic	$ 0.09	$ 0.27	$ 0.38	$ 0.32
Diluted	$ 0.09	$ 0.26	$ 0.37	$ 0.31
Weighted-average shares used in computing net income per share:				
Basic	53,427	51,807	52,988	51,353
Diluted	55,623	53,439	55,015	53,416

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

Cost of revenue	$ 2,261	$ 978	$ 7,006	$ 5,815
Product development	576	185	1,768	1,187
Sales and marketing	584	152	1,896	1,131
General and administrative	1,435	554	4,521	3,084

See notes to condensed consolidated financial statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	**2020**	**2021**	**2020**
Net income	$ 5,037	$ 13,919	$ 20,184	$ 16,600
Other comprehensive income (loss):				
Foreign currency translation adjustment	8	70	(45)	117
Total other comprehensive income (loss)	8	70	(45)	117
Comprehensive income	$ 5,045	$ 13,989	$ 20,139	$ 16,717

See notes to condensed consolidated financial statements

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2020	53,259,519	$ 53	$ 313,017	$ (290)	$ (33,374)	$ 279,406
Issuance of common stock upon exercise of stock options	214,075	1	1,183	—	—	1,184
Release of restricted stock, net of share settlement	138,705	—	—	—	—	—
Stock-based compensation expense	—	—	4,870	—	—	4,870
Withholding taxes related to release of restricted stock, net of share settlement	—	—	(1,938)	—	—	(1,938)
Net income	—	—	—	—	5,037	5,037
Other comprehensive income	—	—	—	8	—	8
Balances at March 31, 2021	53,612,299	$ 54	$ 317,132	$ (282)	$ (28,337)	$ 288,567

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2019	51,636,757	$ 52	$ 298,080	$ (319)	$ (63,942)	$ 233,871
Issuance of common stock upon exercise of stock options	151,625	—	689	—	—	689
Release of restricted stock, net of share settlement	149,692	—	—	—	—	—
Stock-based compensation expense	—	—	1,884	—	—	1,884
Withholding taxes related to release of restricted stock, net of share settlement	—	—	(1,226)	—	—	(1,226)
Net income	—	—	—	—	13,919	13,919
Other comprehensive income	—	—	—	70	—	70
Balances at March 31, 2020	51,938,074	$ 52	$ 299,427	$ (249)	$ (50,023)	$ 249,207

See notes to condensed consolidated financial statements

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balances at June 30, 2020	52,209,813	$ 52	$ 304,650	$ (237)	$ (48,521)	$ 255,944
Issuance of common stock upon exercise of stock options	699,100	1	3,763	—	—	3,764
Release of restricted stock, net of share settlement	703,386	1	(1)	—	—	—
Stock-based compensation expense	—	—	15,238	—	—	15,238
Withholding taxes related to release of restricted stock, net of share settlement	—	—	(6,518)	—	—	(6,518)
Net income	—	—	—	—	20,184	20,184
Other comprehensive loss	—	—	—	(45)	—	(45)
Balances at March 31, 2021	53,612,299	$ 54	$ 317,132	$ (282)	$ (28,337)	$ 288,567

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balances at June 30, 2019	50,518,460	$ 50	$ 289,768	$ (366)	$ (66,623)	$ 222,829
Issuance of common stock upon exercise of stock options	667,651	1	3,804	—	—	3,805
Release of restricted stock, net of share settlement	751,963	1	(1)	—	—	—
Stock-based compensation expense	—	—	11,269	—	—	11,269
Withholding taxes related to release of restricted stock, net of share settlement	—	—	(5,413)	—	—	(5,413)
Net income	—	—	—	—	16,600	16,600
Other comprehensive income	—	—	—	117	—	117
Balances at March 31, 2020	51,938,074	$ 52	$ 299,427	$ (249)	$ (50,023)	$ 249,207

See notes to condensed consolidated financial statements

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

	Nine Months Ended March 31,	
	2021	2020
Cash Flows from Operating Activities		
Net income	$ 20,184	$ 16,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,010	8,517
(Benefit from) provision for sales returns and doubtful accounts receivable	(353)	179
Stock-based compensation	15,191	11,217
Non-cash lease expense	(578)	463
Deferred income taxes	4,263	3,258
Gain on divestitures of businesses, net	(16,615)	(10,819)
Other adjustments, net	682	444
Changes in assets and liabilities:		
Accounts receivable	(14,455)	3,634
Prepaid expenses and other assets	5,083	(2,750)
Accounts payable	1,013	3,292
Accrued liabilities	9,764	430
Deferred revenue	14	205
Other liabilities, noncurrent	—	(35)
Net cash provided by operating activities	36,203	34,635
Cash Flows from Investing Activities		
Capital expenditures	(1,367)	(1,321)
Internal software development costs	(2,338)	(1,675)
Business acquisitions, net of cash acquired	(49,304)	(2,000)
Proceeds from divestitures of businesses, net of cash divested	21,947	11,105
Purchases of equity investment	(4,000)	—
Other investing activities	—	25
Net cash (used in) provided by investing activities	(35,062)	6,134
Cash Flows from Financing Activities		
Proceeds from exercise of common stock options	4,153	3,830
Payment of withholding taxes related to release of restricted stock, net of share settlement	(6,518)	(5,413)
Post-closing payments and contingent consideration related to acquisitions	(3,020)	(4,704)
Net cash used in financing activities	(5,385)	(6,287)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(62)	135
Net (decrease) increase in cash, cash equivalents and restricted cash	(4,306)	34,617
Cash, cash equivalents and restricted cash at beginning of period	107,523	62,536
Cash, cash equivalents and restricted cash at end of period	$ 103,217	$ 97,153
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	$ 103,202	$ 97,139
Restricted cash included in other assets, noncurrent	15	14
Total cash, cash equivalents and restricted cash	$ 103,217	$ 97,153
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	132	252
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Purchases of property and equipment included in accrued liabilities	464	167
Post-closing payments unpaid at acquisition date (see Note 8)	32,568	—
Contingent consideration unpaid at acquisition date (see Note 8)	2,926	—

See notes to condensed 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

Basis of Presentation

Principles of Consolidation

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

Unaudited Interim Financial Information

The accompanying condensed consolidated financial statements and the notes to the condensed consolidated financial statements as of March 31, 2021 and for the three and nine months ended March 31, 2021 and 2020 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020, as filed with the SEC on August 28, 2020. The condensed consolidated balance sheet at June 30, 2020 included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the Company's condensed consolidated balance sheet at March 31, 2021, its condensed consolidated statements of stockholders' equity, operations and comprehensive income for the three and nine months ended March 31, 2021 and 2020 and condensed consolidated statements of cash flows for the nine months ended March 31, 2021 and 2020. The results of operations for the three and nine months ended March 31, 2021 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2021, or any other future period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. On an ongoing basis, management evaluates these estimates, judgments and assumptions, including those related to revenue recognition, stock-based compensation, goodwill, long-lived assets, contingencies, credit losses of accounts receivable, and income taxes. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. In addition, the Company may engage third-party valuation specialists to assist with the preparation of certain of its valuations. These estimates form the basis for making judgments about the carrying values of assets and liabilities and recorded revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

In addition, the COVID-19 pandemic is a factor which may cause actual results to differ from estimates. COVID-19 is contributing to a general slowdown in the global economy and may affect the Company's business, results of operations, financial condition, and future strategic plans. At this time, the extent to which the COVID-19 may impact the Company's financial condition or results of operations is uncertain.

Accounting Policies

The significant accounting policies are described in Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020. There have been no material changes to our significant accounting policies as of and for the nine months ended March 31, 2021, except for the accounting policy for Accounts Receivable and Allowances that was updated as a result of adopting Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326). For more information, refer to "Recently Adopted Accounting Standards".

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, CloudControlMedia, LLC ("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.

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 nine months ended March 31, 2021 (in thousands):

	Allowance for Credit Losses
Balance as of June 30, 2020	$ 9,287
Current period provision for credit losses	10
Write-offs charged against the allowance (1)	(9,063)
Balance as of March 31, 2021	$ 234

(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 condensed consolidated statements of operations.

The revenue reserve was $1.1 million and $0.9 million as of March 31, 2021 and June 30, 2020, respectively. The total allowance for credit losses and revenue reserve was $1.3 million and $10.2 million as of March 31, 2021 and June 30, 2020, respectively.

Investments in Equity Securities

The Company's investments in equity securities, which are reported within other assets, noncurrent, on the condensed 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 (expense) income, net on the Company's condensed 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 (expense) income, net on the Company's condensed 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 condensed 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.

Concentrations of Credit Risk

The Company had one client that accounted for 26% and 25% of net revenue for the three and nine months ended March 31, 2021 and 22% and 19% of net revenue for the three and nine months ended March 31, 2020. That same client accounted for 16% and 17% of net accounts receivable as of March 31, 2021 and June 30, 2020. One additional client accounted for 11% of net accounts receivable as of March 31, 2021. No other clients accounted for 10% or more of net revenue for the three and nine months ended March 31, 2021 or 2020 or 10% or more of net accounts receivable as of March 31, 2021 or June 30, 2020.

Fair Value of Financial Instruments

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.

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 condensed consolidated balance sheets.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

Credit Losses. In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The Company adopted the new standard as of July 1, 2020 using the modified retrospective transition method. Upon adoption, the Company updated its impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost, primarily including its accounts receivable. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements. The Company continues to monitor the financial statements implications of the COVID-19 pandemic on expected credit losses.

Fair Value Measurements. In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)*, which eliminates, adds and modifies certain disclosure requirements for fair value measurement. The Company adopted the new standard as of July 1, 2020. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

Income Taxes. 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. The new guidance is effective for the Company in the first quarter of fiscal year 2022 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.

There were no other significant updates to the recently issued accounting standards other than as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

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):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenue:				
Financial Services	$ 116,284	$ 98,789	$ 314,651	$ 277,804
Home Services	35,037	11,544	97,600	35,570
Other Revenue	1,731	—	3,451	—
Divested Businesses(1)	—	18,330	11,587	60,004
Total net revenue	$ 153,052	$ 128,663	$ 427,289	$ 373,378

(1) Represents revenue recognized from the businesses divested in fiscal year 2020 and in the first quarter of fiscal year 2021. 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):

	March 31, 2021	June 30, 2020
Deferred revenue	$ 87	$ 73
Client deposits	1,132	700
Total	$ 1,219	$ 773

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 increase in the liability balances during the nine months ended March 31, 2021 related to advance consideration received from clients of $6.9 million, offset by revenue recognized of $6.4 million.

4. Net Income per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net 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 and restricted stock units using the treasury stock method.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
	(In thousands, except per share data)		(In thousands, except per share data)	
Numerator:				
Basic and Diluted:				
Net income	$ 5,037	$ 13,919	$ 20,184	$ 16,600
Denominator:				
Basic:				
Weighted-average shares of common stock used in computing basic net income per share	53,427	51,807	52,988	51,353
Diluted:				
Weighted-average shares of common stock used in computing basic net income per share	53,427	51,807	52,988	51,353
Weighted-average effect of dilutive securities:				
Stock options	764	968	829	1,148
Restricted stock units	1,432	664	1,198	915
Weighted-average shares of common stock used in computing diluted net income per share	55,623	53,439	55,015	53,416
Net income per share:				
Basic	$ 0.09	$ 0.27	$ 0.38	$ 0.32
Diluted	$ 0.09	$ 0.26	$ 0.37	$ 0.31
Securities excluded from weighted-average shares used in computing diluted net income per share because the effect would have been anti-dilutive (1)	4	1,317	65	965

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

5. Fair Value Measurements

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

	March 31, 2021				June 30, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds	$ 1,670	$ —	$ —	$ 1,670	$ 1,668	$ —	$ —	$ 1,668
Total	$ 1,670	$ —	$ —	$ 1,670	$ 1,668	$ —	$ —	$ 1,668
Liabilities:								
Post-closing payments related to acquisitions	$ —	$ 37,543	$ —	$ 37,543	$ —	$ 9,045	$ —	$ 9,045
Contingent consideration related to acquisitions	—	—	5,748	5,748	—	—	3,170	3,170
Total	$ —	$ 37,543	$ 5,748	$ 43,291	$ —	$ 9,045	$ 3,170	$ 12,215
Reported as:								
Cash and cash equivalents				$ 1,670				$ 1,668
Other Liabilities:								
Current				$ 13,064				$ 6,734
Noncurrent				30,227				5,481
Total				$ 43,291				$ 12,215

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 and are classified as Level 1 within the fair value hierarchy.

Post-Closing Payments Related to Acquisitions

The post-closing payments are future payments related to the Company's acquisitions of Modernize, Inc. ("Modernize"), FC Ecosystem, LLC ("FCE") and Mayo Labs, LLC ("Mayo") completed in the first three quarters of fiscal year 2021, and the acquisitions of AmOne Corp ("AmOne"), CloudControlMedia, LLC ("CCM") and MyBankTracker.com, LLC ("MBT") completed in fiscal year 2019. 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 8, *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 targets and gross 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 condensed consolidated statements of operations. See Note 8, *Acquisitions*, for further details related to the acquisitions.

The following table represents the changes in the contingent consideration during the three and nine months ended March 31, 2021 (in thousands):

	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2021
Balance at the beginning of period	$ 2,822	$ 3,170
Additions related to the acquisition of FCE (initial measurement)	2,926	2,926
Changes in fair value during the period	—	—
Payments made during the period	—	(348)
Balance at the end of period	$ 5,748	$ 5,748

6. Prepaid Expenses and Other Assets

In fiscal year 2016, the Company entered into a 10-year partnership agreement with a large online customer acquisition marketing company focused on the U.S. insurance industry to be its exclusive click monetization partner for the majority of its insurance categories. The agreement included a one-time upfront cash payment of $10.0 million, which was being amortized on a straight-line basis over the life of the contract. As of July 1, 2020, the contract was terminated and the unamortized remainder of the upfront cash payment was subsequently refunded. The Company had recorded $5.3 million as of June 30, 2020 within prepaid expenses and other assets on the Company's condensed consolidated balance sheets. Amortization expense was $0.2 million and $0.8 million for the three and nine months ended March 31, 2020.

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 year 2020 and in the first quarter of fiscal year 2021.

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. Upon the divestiture of this business, the Company recognized a gain of $16.6 million within other (expense) income, net on the Company's condensed consolidated statements of operations in the first quarter of fiscal year 2021.

Fiscal year 2020

Business-to-Business Technology ("B2B") Client Vertical

On February 14, 2020, 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 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 (expense) income, net on the Company's condensed 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 (expense) 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 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. Acquisitions

Fiscal year 2021

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 payable twelve months following the date of closing. 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, and the Company has agreed to pay any incremental taxes to Modernize resulting from that election.

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 liability to Modernize	2,079
Total	$ 70,799

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 following table summarizes the preliminary allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date (in thousands):

	Estimated Fair Value		
	Preliminary as of July 1, 2020	Year to Date Adjustments (1)	Preliminary as of March 31, 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	(6,047)	32,404
Net assets acquired	$ 68,720	$ 2,079	$ 70,799

(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 agreed to pay any incremental taxes to Modernize resulting from that election, for an increase in total consideration of $2.1 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	

The Company is still finalizing the allocation of the purchase price to the individual assets acquired. Accordingly, these preliminary estimates are subject to change during the measurement period, which is the period subsequent to the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination, not to exceed one year form the acquisition date. The final purchase price allocation, which may include changes in the allocations within intangible assets and between intangible assets and goodwill, as well as changes in the estimated useful lives of the intangible assets, will be determined when the Company has completed the detailed review of underlying inputs and assumptions used in its preliminary purchase price allocation.

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 payable twelve months following the date of closing. 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 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 condensed consolidated financial statements 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 following table summarizes the preliminary 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	

The Company is still finalizing the allocation of the purchase price to the individual assets acquired. Accordingly, these preliminary estimates are subject to change during the measurement period, which is the period subsequent to the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination, not to exceed one year form the acquisition date. The final purchase price allocation, which may include changes in the allocations between intangible assets and goodwill, as well as changes in the estimated useful lives of the intangible assets, will be determined when the Company has completed the detailed review of underlying inputs and assumptions used in its preliminary purchase price allocation.

Other

On February 17, 2021, the Company also 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 payable twelve months following the date of closing. The Company has included the results of the acquired assets in the condensed consolidated financial statements since the acquisition date, 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 acquisition occurred as of the beginning of fiscal year 2020, nor is it necessarily indicative of the future results of operations of the combined company.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
	(In thousands)		(In thousands)	
Net revenue	$ 153,052	$ 149,370	$ 427,289	$ 430,782
Net income	5,189	15,629	20,836	21,536

The pro forma financial information for the three and nine months ended March 31, 2021 includes the elimination of $152 thousand and $652 thousand of nonrecurring acquisition costs incurred by the Company that are directly related to the acquisitions.

Fiscal year 2020

There was no significant business acquisition completed in fiscal year 2020.

Fiscal year 2019

AmOne Corp.

On October 1, 2018, the Company completed the purchase of AmOne, an online performance marketing company in the financial services client vertical, to broaden its publisher and customer relationships. In exchange for all outstanding shares of AmOne, the Company paid $23.0 million in cash upon closing (including $2.7 million cash for net assets acquired subject to post-closing adjustments) and will make $8.0 million in post-closing payments, payable in equal semi-annual installments over a two year period, with the first installment paid six months following the date of closing. The outstanding balance owed with respect to the post-closing payments was paid in full as of the second quarter of fiscal year 2021.

CloudControlMedia, LLC

On April 15, 2019, the Company completed the purchase of CCM, a marketing services company in the education client vertical, to broaden its customer relationships. In exchange for all the outstanding shares of CCM, the Company paid $8.3 million in cash upon closing (including $0.8 million cash for net assets acquired subject to post-closing adjustments) and will make a series of future payments following the acquisition date. The $7.5 million post-closing payments are payable in cash in equal semi-annual installments over a four year period, with the first installment paid six months following the date of closing. The contingent consideration is payable for five years following the date of closing and is calculated every June 30 and December 31 for the preceding six months.

MyBankTracker.com, LLC

On May 14, 2019, the Company completed the purchase of MBT, a leading personal finance website to broaden its customer relationships. In exchange for all the outstanding shares of MBT, the Company paid $4.5 million in cash upon closing (including $1.5 million cash for net assets acquired) and will make a series of future payments following the acquisition date.

The $4.0 million post-closing payments are payable in cash in equal semi-annual installments over a two year period, with the first installment paid twelve months following the date of closing. The contingent consideration is calculated semi-annually for the preceding six months beginning on December 31, 2019 and ending on June 30, 2023. In the third quarter of fiscal year 2020, the Company reached an agreement with the seller and paid the outstanding balance owed in full with respect to the contingent consideration.

The following table summarizes the consideration for each acquisition as of the acquisition dates (in thousands):

	AmOne	CCM	MBT
Cash	$ 23,032	$ 8,281	$ 4,511
Post-closing adjustments for net assets acquired	138	(72)	—
Post-closing payments, net of imputed interest (1)	7,514	6,671	3,708
Contingent consideration	—	3,553	1,505
Total	$ 30,684	$ 18,433	$ 9,724

(1) The post-closing payment is net of imputed interest of $486 thousand for AmOne, $829 thousand for CCM and $292 thousand for MBT.

9. Goodwill and Intangible Assets, Net

Goodwill

The changes in the carrying amount of goodwill for the nine months ended March 31, 2021 were as follows (in thousands):

	Goodwill
Balance as of June 30, 2020	$ 80,677
Goodwill acquired (1)	40,744
Goodwill disposed (2)	(3,212)
Balance as of March 31, 2021	$ 118,209

(1) Represents goodwill acquired associated with the acquisitions completed in the first three quarters of fiscal year 2021. See Note 8, *Acquisitions*, for more information.

(2) Represents goodwill disposed associated with the divestiture of the education client vertical completed in the first quarter of fiscal year 2021. See Note 7, *Divestitures*, for more information.

Intangible Assets, Net

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

	March 31, 2021			June 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer/publisher/advertiser relationships	$ 90,960	$ (41,297)	$ 49,663	$ 61,324	$ (36,213)	$ 25,111
Content	43,705	(43,305)	400	55,430	(55,430)	—
Website/trade/domain names	25,348	(18,412)	6,936	23,059	(20,717)	2,342
Acquired technology and others	33,843	(28,641)	5,202	27,941	(27,220)	721
Total	$ 193,856	$ (131,655)	$ 62,201	$ 167,754	$ (139,580)	$ 28,174

Amortization of intangible assets was $2.8 million and $8.8 million for the three and nine months ended March 31, 2021, and $1.9 million and $5.8 million for the three and nine months ended March 31, 2020.

Future amortization expense for the Company's intangible assets as of March 31, 2021 was as follows (in thousands):

Fiscal Year Ending June 30,	Amortization
2021 (remaining three months)	$ 3,013
2022	11,365
2023	10,503
2024	9,606
2025	7,622
Thereafter	20,092
Total	$ 62,201

10. Income Taxes

On June 29, 2020, the Assembly Bill 85 (AB 85) was signed into law as part of the California 2020 Budget Act, which temporarily suspends the use of California net operating losses and imposes a cap on the amount of business incentive tax credits that companies can utilize against their net income for tax years 2020, 2021, and 2022. The Company analyzed the provisions of AB 85 and determined there was an immaterial impact on its provision for income taxes for the current period and will continue to evaluate the impact, if any, AB 85 may have on the Company's condensed consolidated financial statements and disclosures.

The Company performed an assessment on the likelihood of realizing the benefits of its deferred tax assets. As of March 31, 2021, the Company has not recorded any significant valuation allowance adjustments based on the information and evidence available at the time. However, 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.

Additionally, in the event the Company experiences an ownership change within the meaning of Section 382 of the Internal Revenue Code ("IRC"), the Company's ability to utilize net operating losses, tax credits and other tax attributes may be limited.

The Company's provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any. Each quarter the Company updates its estimate of the annual effective tax rate and makes a year-to-date adjustment to the provision. The Company recorded a provision for income taxes of $0.9 million and $4.5 million for the three and nine months ended March 31, 2021, and a provision for income taxes of $0.4 million and $0.2 million for the three and nine months ended March 31, 2020.

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 the three and nine months ended March 31, 2021 and 2020 were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Operating lease expense	$ 1,315	$ 981	$ 3,943	$ 2,984
Short-term lease expense	170	275	624	831
Variable lease expense (1)	139	126	426	416
Total lease expense	$ 1,624	$ 1,382	$ 4,993	$ 4,231

(1)

Variable lease expense for the three and nine months ended March 31, 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):

	Nine Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	$ 4,544	$ 2,513
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	$ 6,247	$ 476
Weighted average remaining lease term - operating leases	2.9 years	3.4 years
Weighted average discount rate - operating leases	5.0%	4.5%

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 March 31, 2021 were as follows (in thousands):

Fiscal Year Ending June 30,	Amount
2021 (remaining three months)	$ 1,482
2022	5,932
2023	5,506
2024	3,452
2025	726
Thereafter	33
Total minimum lease payments	$ 17,131
Less imputed interest	(2,278)
Present value of net minimum lease payments	$ 14,853
Operating lease liabilities:	
Current	5,411
Noncurrent	9,442
Total	$ 14,853

Total future principal contractual obligations for operating lease commitments exceeded the undiscounted lease liability by $0.5 million as of March 31, 2021, 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 March 31, 2021 and June 30, 2020.

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 but may extend 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 March 31, 2021 and June 30, 2020.

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 July 2017, the Board of Directors authorized a stock repurchase program to repurchase up to 905,000 outstanding shares of its common stock. In October 2017, the Board of Directors increased the number of outstanding shares that may be repurchased to 966,000 shares. There were no repurchases made during fiscal year 2020 and the three and nine months ended March 31, 2021. As of March 31, 2021, the number of shares that remains available for repurchase is 903,636 shares.

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 Incentive Plans

The Company may grant 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 performance cash awards, under its 2010 Equity Incentive Plan (the "2010 Incentive Plan"). The Company may grant NQSOs and RSUs to non-employee directors under the 2010 Non-Employee Directors' Stock Award Plan (the "Directors' Plan"). Prior to fiscal year 2016, the Company granted RSUs with a service condition ("service-based RSUs"). In fiscal year 2016, the Company also began granting to employees RSUs with a market condition ("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 RSUs with a performance condition ("performance-based RSUs") that vest variably subject to the achievement of certain revenue growth and adjusted EBITDA targets ("performance targets"). The Company evaluates the portion of the awards that are probable to vest quarterly until the performance targets are met. To date, the Company has issued ISOs, NQSOs, service-based RSUs, market-based RSUs and performance-based RSUs under its stock incentive plans.

As of March 31, 2021, 23,125,612 shares were reserved and 14,438,410 shares were available for issuance under the 2010 Incentive Plan; 4,598,838 shares were reserved and 2,368,424 shares were available for issuance under the Directors' Plan.

Stock-Based Compensation

The Company estimates the fair value of stock options at the date of grant using the Black-Scholes option-pricing model. Options are granted with an exercise price equal to the closing price of the Company's common stock on the date of grant.

The weighted-average Black-Scholes model assumptions for the three and nine months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Expected term (in years)	3.5	3.5	4.4	4.3
Expected volatility	62%	59%	62%	58%
Expected dividend yield	—	—	—	—
Risk-free interest rate	0.2%	1.5%	0.3%	1.5%
Grant date fair value	$ 10.76	$ 6.58	$ 5.99	$ 5.44

The Company estimates the fair value of service-based RSUs and performance-based RSUs based on the closing price of the Company's common stock on the grant date. As some of the components that comprise the performance targets have not been fully established, a grant date as defined by ASC 718 has not been determined. The Company will re-measure the compensation expense associated with the performance-based RSUs 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. Compensation expense is amortized net of estimated forfeitures on a straight-line basis over the requisite service period of the stock-based compensation awards.

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):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenue:				
United States	$ 150,245	$ 125,068	$ 419,016	$ 363,485
International	2,807	3,595	8,273	9,893
Total net revenue	$ 153,052	$ 128,663	$ 427,289	$ 373,378

	March 31, 2021	June 30, 2020
Property and equipment, net:		
United States	$ 6,634	$ 5,477
International	176	180
Total property and equipment, net	$ 6,810	$ 5,657

	March 31, 2021	June 30, 2020
Other intangible assets, net:		
United States	$ 62,201	$ 28,174
International	—	—
Total other intangible assets, net	$ 62,201	$ 28,174

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended June 30, 2020, filed with the Securities and Exchange Commission ("SEC").

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they do not materialize or if they prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "expect," "can," "continue," "could," "estimate," "expect," "intend," "outlook," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. These statements reflect the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in "Part II —Item 1A. Risk Factors" below, and those discussed in the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020, filed with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

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 76% and 74% of net revenue for the three and nine months ended March 31, 2021 and 77% and 74% of net revenue for the three and nine months ended March 31, 2020. Our home services client vertical represented 23% of net revenue for both the three and nine months ended March 31, 2021 and 9% and 10% of net revenue for the three and nine months ended March 31, 2020. Our results of operations for the three and nine months ended March 31, 2021 reflected our acquisition of Modernize, which was completed in the first quarter of fiscal year 2021. Other revenue, which primarily includes performance marketing agency and technology services, represented 1% of net revenue for both the three and nine months ended March 31, 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% and 2% of net revenue for the three and nine months ended March 31, 2021 and 14% and 16% of net revenue for the three and nine months ended March 31, 2020. See Note 7, *Divestitures*, to our condensed 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.

One client in our financial services client vertical accounted for 26% and 25% of our net revenue for the three and nine months ended March 31, 2021 and 22% and 19% of our net revenue for the three and nine months ended March 31, 2020. No other client accounted for 10% or more of our net revenue for the three and nine months ended March 31, 2021 and 2020.

Trends Affecting our Business

COVID-19

We continue to monitor COVID-19 for impacts 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. 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; 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 development, efficacy and distribution of vaccines for COVID-19; and the impact on economic activity including the length and depth of the economic downturn 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. While there is optimism that the pandemic will come to an end with the development and prevalence of vaccines, there are still significant uncertainties. For example, the resurgence of cases due to emergence and persistency of new variants to COVID-19 and the economic impact due to varying levels of restrictions imposed by each state. Refer to Risk Factors (Part II, Item 1A of this Form 10-Q) for a discussion of these factors and other risks.

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 the first quarter of fiscal year 2021, 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 ahead-of-schedule integration and synergies with the Modernize acquisition.

In addition, in the first quarter of fiscal year 2021, as a result of the decision to narrow our focus to the best performing businesses and market opportunities, we entered into an agreement with a third-party and completed the divestiture of our former education client vertical.

The COVID-19 pandemic is also affecting our client verticals to varying degrees. For example, within our financial services client vertical, certain credit-driven lines of business, such as personal loans and credit cards, have seen and may continue to see reductions in near-term demand for our services due to weakening economic and employment conditions, and the uncertainty over the length and depth of the economic downturn.

Acquisitions and Divestitures

Acquisitions have historically been, and continue to be, an important element of our overall corporate strategy and use of capital. In the past three fiscal years, we have completed several strategic acquisitions, including the acquisitions of Modernize, Mayo and FCE completed in the first three quarters of 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 in the past two fiscal years, including the divestiture of our former education client vertical completed in the first quarter of 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 8, *Acquisitions*, and Note 7, *Divestitures*, respectively, to our condensed 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.

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 financial services, home services, and other revenue. Our revenue recognized during the three and nine months ended March 31, 2021 and 2020 also included the revenue generated from the businesses we divested in fiscal year 2020 and in the first quarter of fiscal year 2021 (including our former education client vertical, business-to-business technology client vertical, mortgage business, and Brazil businesses).

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, cost-per-click, or CPC, or cost-per-thousand-impressions, or CPM, basis. Personnel costs include salaries, stock-based compensation expense, bonuses, commissions 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.

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 (Expense) Income, Net

Interest and other (expense) 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 March 31, 2021; 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.

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.

Critical Accounting Policies, Estimates and Judgments

In presenting our consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenue and expenses during the reporting period.

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. Actual results may differ significantly from these estimates.

We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our consolidated financial statements.

- Revenue recognition;
- Valuation of goodwill and intangible assets;
- Stock-based compensation;
- Business combination;
- Income taxes; and
- Valuation of long-lived assets.

For further information on our critical and other significant accounting policies and estimates, see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year ended June 30, 2020, filed with the SEC.

Recently Issued Accounting Standards

See Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements.

Results of Operations

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

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2021		2020		2021		2020	
	(In thousands)				(In thousands)			
Net revenue	$ 153,052	100.0%	$ 128,663	100.0%	$ 427,289	100.0%	$ 373,378	100.0%
Cost of revenue (1)	132,665	86.7	114,210	88.8	375,334	87.8	332,717	89.1
Gross profit	20,387	13.3	14,453	11.2	51,955	12.2	40,661	10.9
Operating expenses: (1)								
Product development	4,905	3.2	3,250	2.5	14,776	3.5	10,205	2.7
Sales and marketing	2,768	1.8	2,116	1.7	8,303	1.9	7,071	1.9
General and administrative	6,460	4.2	5,076	3.9	19,931	4.7	16,399	4.4
Operating income	6,254	4.1	4,011	3.1	8,945	2.1	6,986	1.9
Interest income	5	—	43	—	40	—	169	0.1
Interest expense	(301)	(0.2)	(177)	(0.1)	(947)	(0.2)	(566)	(0.2)
Other (expense) income, net	(28)	—	10,491	8.2	16,695	3.9	10,225	2.7
Income before income taxes	5,930	3.9	14,368	11.2	24,733	5.8	16,814	4.5
Provision for income taxes	(893)	(0.6)	(449)	(0.3)	(4,549)	(1.1)	(214)	(0.1)
Net income	$ 5,037	3.3%	$ 13,919	10.9%	$ 20,184	4.7%	$ 16,600	4.4%

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

Cost of revenue	$ 2,261	1.5%	$ 978	0.8%	$ 7,006	1.6%	$ 5,815	1.6%
Product development	576	0.4	185	0.1	1,768	0.4	1,187	0.3
Sales and marketing	584	0.4	152	0.1	1,896	0.4	1,131	0.3
General and administrative	1,435	0.9	554	0.4	4,521	1.1	3,084	0.8

Gross Profit

	Three Months Ended March 31,		Nine Months Ended March 31,		Three Months	Nine Months
	2021	2020	2021	2020	% Change	% Change
	(In thousands)					
Net revenue	$ 153,052	$ 128,663	$ 427,289	$ 373,378	19%	14%
Cost of revenue	132,665	114,210	375,334	332,717	16%	13%
Gross profit	$ 20,387	$ 14,453	$ 51,955	$ 40,661	41%	28%

Net Revenue

Net revenue increased $24.4 million, or 19%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Revenue from our home services client vertical increased by $23.5 million, or 204%, primarily as a result of inorganic and organic (synergy) revenue effects from the acquisition of Modernize completed in the first quarter of fiscal year 2021. Revenue from our financial services client vertical increased by $17.5 million, or 18%, 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 $1.7 million of revenue for the three months ended March 31, 2021. The business divestitures completed in fiscal year 2020 and in the first quarter of fiscal year 2021 decreased revenue by $18.3 million for the three months ended March 31, 2021.

Net revenue increased $53.9 million, or 14%, for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020. Revenue from our home services client vertical increased by $62.0 million, or 174%, primarily as a result of inorganic and organic (synergy) revenue effects from the acquisition of Modernize completed in the first quarter of fiscal year 2021.

Revenue from our financial services client vertical increased by $36.8 million, or 13%, 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 $3.5 million of revenue for the nine months ended March 31, 2021. The business divestitures completed in fiscal year 2020 and in the first quarter of fiscal year 2021 decreased revenue by $48.4 million for the nine months ended March 31, 2021.

Cost of Revenue and Gross Profit Margin

Cost of revenue increased by $18.5 million, or 16%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. This was primarily driven by increased media and marketing costs of $14.7 million, increased personnel costs of $2.7 million, and increased amortization of intangible assets of $1.0 million. The increase in media and marketing costs was associated with higher revenue volumes. The increase in personnel costs was due to increased incentive compensation associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense. The increase in amortization expense was due to the acquisition of Modernize intangible assets. Gross profit margin, which is the difference between net revenue and cost of revenue as a percentage of net revenue, was 13% and 11% for the three months ended March 31, 2021 and 2020. The increase in gross profit margin was primarily attributable to decreased media and marketing costs as a percentage of revenue.

Cost of revenue increased by $42.6 million, or 13%, for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020. This was primarily driven by increased media and marketing costs of $33.6 million, increased personnel costs of $5.1 million, and increased amortization of intangible assets of $3.4 million. The increase in media and marketing costs was associated with higher revenue volumes. The increase in personnel costs was due to increased incentive compensation associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense. The increase in amortization expense was due to the acquisition of Modernize intangible assets. Gross profit margin was 12% and 11% for the nine months ended March 31, 2021 and 2020. The increase in gross profit margin was primarily attributable to decreased media and marketing costs as a percentage of revenue.

Operating Expenses

	Three Months Ended March 31,		Nine Months Ended March 31,		Three Months	Nine Months
	2021	2020	2021	2020	% Change	% Change
	(In thousands)					
Product development	$ 4,905	$ 3,250	$ 14,776	$ 10,205	51%	45%
Sales and marketing	2,768	2,116	8,303	7,071	31%	17%
General and administrative	6,460	5,076	19,931	16,399	27%	22%
Operating expenses	$ 14,133	$ 10,442	$ 43,010	$ 33,675	35%	28%

Product Development Expenses

Product development expenses increased by $1.7 million, or 51%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. This was primarily due to increased personnel costs of $1.5 million as a result of higher headcount associated with the Modernize acquisition, increased incentive compensation expense associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

Product development expenses increased by $4.6 million, or 45%, for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020. This was primarily due to increased personnel costs of $4.1 million as a result of higher headcount associated with the Modernize acquisition, increased incentive compensation expense associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense, and increased facilities expense of $0.3 million.

Sales and Marketing Expenses

Sales and marketing expenses increased by $0.7 million, or 31%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to increased personnel costs of $0.6 million related to increased incentive compensation associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

Sales and marketing expenses increased by $1.2 million, or 17%, for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020, primarily due to increased personnel costs of $1.4 million related to increased incentive compensation associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

General and Administrative Expenses

General and administrative expenses increased by $1.4 million, or 27%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to increased personnel costs of $1.1 million associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense.

General and administrative expenses increased by $3.5 million, or 22%, for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020, primarily due to increased personnel costs of $2.2 million associated with the expected achievement of performance objectives for fiscal year 2021 and increased stock-based compensation expense, increased professional services fees of $0.7 million, and increased facilities expense of $0.4 million.

Provision for Income Taxes

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
	(In thousands)			
Provision for income taxes	$ (893)	$ (449)	$ (4,549)	$ (214)

As of March 31, 2021, we have not recorded any significant valuation allowance adjustments based on the information and evidence available at the time. However, if there are unfavorable changes to actual operating results or to projections of future income, we may determine that it is more likely than not that such deferred tax assets may not be realizable.

We recorded a provision for income taxes of $0.9 million and $4.5 million for the three and nine months ended March 31, 2021, and a provision for income taxes of $0.4 million and $0.2 million for the three and nine months ended March 31, 2020.

Liquidity and Capital Resources

As of March 31, 2021, our principal sources of liquidity consisted of cash and cash equivalents of $103.2 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 and acquisitions from time to time. Our acquisitions in fiscal year 2021 and fiscal year 2019 also 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.

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

	Nine Months Ended March 31,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities	$ 36,203	$ 34,635
Net cash (used in) provided by investing activities	(35,062)	6,134
Net cash used in financing activities	(5,385)	(6,287)

Operating Activities

Cash flows from operating activities are primarily the result of our net income adjusted for depreciation and amortization, stock-based compensation expense, gains and losses on divestitures of businesses, and changes in working capital components.

Cash provided by operating activities was $36.2 million for the nine months ended March 31, 2021, compared to cash provided by operating activities of $34.6 million for the nine months ended March 31, 2020.

Cash provided by operating activities for the nine months ended March 31, 2021 consisted of a net income of $20.2 million, non-cash adjustments of $14.6 million and a net increase in cash from changes in working capital of $1.4 million. The non-cash adjustments primarily consisted of stock-based compensation expense of $15.2 million, depreciation and amortization expense of $12.0 million, and a decrease in deferred tax assets of $4.3 million due to provision for income taxes recorded for the first three quarters of fiscal year 2021, offset by a net disposition gain of $16.6 million recognized from the divestiture of our former education client vertical completed in the first quarter of fiscal year 2021. The changes in working capital accounts were primarily attributable to an increase in accrued liabilities of $9.8 million, a decrease in prepaid expenses and other assets of $5.1 million, and an increase in accounts payable of $1.0 million, offset by an increase in accounts receivable of $14.5 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 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 for the nine months ended March 31, 2020 consisted of a net income of $16.6 million, non-cash adjustments of $13.3 million and a net increase in cash from changes in working capital of $4.8 million. The non-cash adjustments primarily consisted of stock-based compensation expense of $11.2 million and depreciation and amortization of $8.5 million, offset by a net disposition gain of $10.8 million recognized from the business divestitures completed in the third quarter of fiscal year 2020. The changes in working capital accounts were primarily attributable to a decrease in accounts receivable of $3.6 million and an increase in accounts payable of $3.3 million, offset by an increase in prepaid expenses and other assets of $2.8 million. The decrease in accounts receivable was due to the timing of receipts. The increase in accounts payable was due to the timing of payments. The increase in prepaid expenses and other assets was primarily attributable to 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.

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 $35.1 million for the nine months ended March 31, 2021, compared to cash provided by investing activities of $6.1 million for the nine months ended March 31, 2020.

Cash used in investing activities in the nine months ended March 31, 2021 was primarily due to payments for the acquisitions of Modernize, Mayo and FCE, net of cash acquired, of $49.3 million, investment in equity securities of $4.0 million, and capital expenditures and internal software development costs of $3.7 million, offset by $20.0 million of cash received from the divestiture of our former education client vertical completed in the first quarter of fiscal year 2021, and $1.9 million of cash received from the divestiture of our former B2B client vertical completed in the third quarter of fiscal year 2020.

Cash provided by investing activities in the nine months ended March 31, 2020 was primarily due to $11.4 million cash received from the business divestitures completed in the third quarter of fiscal year 2020, net of cash divested of $0.3 million, offset by capital expenditures and internal software development costs of $3.0 million, and a cash payment of $2.0 million associated with an insignificant business acquisition completed in January 2020.

Financing Activities

Cash flows from financing activities generally include 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 our acquisitions.

Cash used in financing activities was $5.4 million for the nine months ended March 31, 2021, compared to cash used in financing activities of $6.3 million for the nine months ended March 31, 2020.

Cash used in financing activities in the nine months ended March 31, 2021 was due to the payment of withholding taxes related to the release of restricted stock, net of share settlement of $6.5 million, and payment of post-closing payments and contingent consideration related to acquisitions of $3.0 million, offset by proceeds from the exercise of stock options of $4.2 million.

Cash used in financing activities in the nine months ended March 31, 2020 was due to the payment of withholding taxes related to the release of restricted stock, net of share settlement of $5.4 million and post-closing payments and contingent consideration related to acquisitions of $4.7 million, offset by proceeds from the exercise of stock options of $3.8 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 March 31, 2021:

	Total	Less than 1 Year	1-3 Years	3-5 Years	Thereafter
			(In thousands)		
Operating leases (1)	$ 17,606	$ 6,390	$ 10,029	$ 1,187	$ —
Post-closing payment related to acquisitions (2)	39,622	14,274	15,707	9,641	—
Contingent consideration related to acquisitions (2)	5,748	868	4,637	243	—
Total	$ 62,976	$ 21,532	$ 30,373	$ 11,071	$ —

(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 year 2021 and fiscal year 2019, we are required to make post-closing payments and contingent consideration payments. See Note 8, *Acquisitions*, to our condensed consolidated financial statements for more information on the post-closing payments and contingent consideration payments related to our acquisitions.

The above table does not include approximately $2.4 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.

ITEM 3. 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 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 condensed consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities 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 Securities 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 Securities 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 March 31, 2021, our principal executive and principal financial officers concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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 Rules 13a-15(d) and 15d-15(d) of the Securities Exchange Act that occurred during the period covered by this report 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 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings and claims arising in the ordinary course of our 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 any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, the outcome of such legal matters is subject to significant uncertainties.

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 face risks and uncertainties related to the COVID-19 pandemic, 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.

- 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.

- 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.

- 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 publishers, 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 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 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.

- 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.

- We are exposed to online security risks and breaches 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 may cause us to incur significant expenses and may negatively affect our reputation and business.

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

Risks Related to Our Business and Industry

We face risks and uncertainties related to the COVID-19 pandemic, 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 has 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 an economic downturn that has and could continue to negatively affect marketing and advertising spend in certain lines of 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 been negatively impacted by economic and employment conditions. 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 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. 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 recent COVID-19 pandemic;
- the impact of the COVID-19 pandemic on us, our third-party publishers', and our clients' businesses, the extent of which will depend on future actions and outcomes that are highly uncertain and cannot be predicted, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, the direct and indirect economic and financial market effects of the pandemic, and the pace of the economic and financial market recovery;
- 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.

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.

Adverse macroeconomic conditions could cause decreases or delays in spending by our clients 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.

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 which users 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 CCM provides performance marketing agency and technology services for education clients, 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.

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 has impacted and may continue to impact certain lines of 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 25% of our net revenue for the nine months ended March 31, 2021. 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 publishers, 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 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 to 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.

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.

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 will 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 the pandemic or otherwise may have consequences to our businesses, including our credit-driven businesses, that 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;
- developing and implementing our media strategies and client initiatives;
- changes in our revenue mix and shifts in margins related to changes in our media strategies or client initiatives;
- changes in interest rates;
- 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, or their interpretation or emphasis, in our and our client 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 client's 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.

We are exposed to online data privacy and security risks and breaches 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 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, viruses, fraud, employee error, and other disruptions and security breaches that could result in third-parties gaining unauthorized access to our systems and data. In addition, the increased use of mobile devices increases the risk of unintentional disclosure of data including personally identifiable information. 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 the past few 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.

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.

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.

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 placing restrictions on one of its for-profit school from 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 where 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.

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 depends 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 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.

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 recent acquisitions of Modernize, Mayo and FCE completed in the first three quarters of fiscal year 2021, and the acquisitions of AmOne, CCM and 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, terrorist attacks, floods, fires, power loss, break-ins, hardware or software failures, telecommunications failures, cyber-attacks, computer viruses or other attempts to harm our systems, and similar events. If we or third-party data centers that we utilize were to experience a major power outage, we would have to rely on 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.

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; however, these backup systems 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 recently 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 and FCE in the first three quarters of fiscal year 2021, and acquired MBT, CCM and AmOne in fiscal year 2019. Furthermore, we divested our education client vertical in the first quarter of fiscal year 2021, and we divested our B2B client vertical, our businesses in Brazil consisting of QSB and VEMM along with its interests in EDB, and our mortgage business 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 earn-out of $1.5 million of which the earn-out 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 earn-out 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, 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 an estimated fair value of earn-out of $2.9 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.

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.

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.

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;

- 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; 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.

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;
- 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 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.

Our directors and executive officers and their respective affiliates have substantial influence over us and could delay or prevent a change in corporate control.

As of March 31, 2021, our directors and executive officers, together with their affiliates, beneficially or otherwise owned approximately 7% of our outstanding common stock. As a result, these stockholders, acting together, have substantial influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, have significant influence over the management and affairs of our company. Accordingly, this concentration of ownership may have the effect of:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

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 has authorized a stock repurchase program allowing us to repurchase up to 966,000 outstanding shares of our common stock that commenced in October 2017. As of March 31, 2021, the number of shares that remains available for repurchase pursuant to our stock repurchase program is 903,636 shares. 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 and does not have an expiration date. 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, 2020, 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 maintain effective internal control 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, 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.

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

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities by QuinStreet, Inc.

In July 2017, the Board of Directors authorized a stock repurchase program allowing the Company to repurchase up to 905,000 outstanding shares of its common stock. In October 2017, the Board of Directors increased the number of outstanding shares that may be repurchased to 966,000 shares.

As of March 31, 2021, the maximum number of shares that may yet be repurchased under the stock repurchase program is 903,636 shares. No repurchases have been made under this stock repurchase program during the third quarter of fiscal year 2021. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue repurchases at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Form	File Number	Exhibit	Filing Date
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
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.				
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 inline XBRL and contained in Exhibit 101)				

* Filed herewith.
‡ Furnished herewith.

SIGNATURES

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

QUINSTREET, INC.

/s/ Gregory Wong

Gregory Wong
Chief Financial Officer
(Principal Financial and Accounting Officer and
duly authorized signatory)
Date: May 7, 2021

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT

I, Douglas Valenti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

/s/ Douglas Valenti
Douglas Valenti
Chairman and Chief Executive Officer
(Principal Executive Officer)
Date: May 7, 2021

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT

I, Gregory Wong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

/s/ Gregory Wong
Gregory Wong
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: May 7, 2021

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 this report on Form 10-Q 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: May 7, 2021

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

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