

InfoSpace, Inc.  
Q1 2012 Earnings  
Supplemental Information

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## InfoSpace Consolidated Financial Results

(in thousands except earnings per share, rounding differences may exist)

	2010	2011				2012	
	FYE 12/31	1Q11	2Q11	3Q11	4Q11	FYE 12/31	1Q12
Segment Revenue							
Search	\$214,343	\$51,650	\$54,292	\$56,257	\$66,615	\$228,814	\$75,294
Tax Preparation <sup>(1)</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$40,401
Total	\$214,343	\$51,650	\$54,292	\$56,257	\$66,615	\$228,814	\$115,695
Segment Income <sup>(2)</sup>							
Search	\$49,266	\$11,095	\$11,534	\$10,809	\$12,768	\$46,206	\$13,373
Tax Preparation <sup>(1)</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$22,134
Total	\$49,266	\$11,095	\$11,534	\$10,809	\$12,768	\$46,206	\$35,507
Segment Income % of Revenue							
Search	23%	21%	21%	19%	19%	20%	18%
Tax Preparation	na	na	na	na	na	na	55%
Total	23%	21%	21%	19%	19%	20%	31%
Unallocated Corporate Operating Expense	\$16,801	\$2,130	\$2,543	\$2,307	\$2,603	\$9,583	\$3,805 <sup>(3)</sup>
Adjusted EBITDA	\$32,465	\$8,965	\$8,991	\$8,502	\$10,165	\$36,623	\$31,702
Other Unallocated Corporate							
Depreciation	\$6,596	\$1,451	\$1,376	\$1,115	\$919	\$4,861	\$951
Amortization of Intangibles	\$9,197	\$958	\$772	\$518	\$347	\$2,595	\$3,624 <sup>(4)</sup>
Stock Compensation	\$13,919	\$2,033	\$1,338	\$3,049 <sup>(5)</sup>	\$1,267	\$7,687	\$6,708 <sup>(5)</sup>
Other (Income) Expense	-\$15,244	-\$75	-\$107	\$455	\$972	\$1,245	\$1,555
Total	\$14,468	\$4,367	\$3,379	\$5,137	\$3,505	\$16,388	\$12,838
Income Before Taxes	\$17,997	\$4,598	\$5,612	\$3,365	\$6,660	\$20,235	\$18,864
Income Tax							
Cash	\$196	\$113	\$133	\$68	\$1,398	\$1,712	\$861
Non-cash <sup>(6)</sup>	\$8,530	\$1,589	\$1,803	\$1,221	-\$17,613	-\$13,000	\$6,597
Total	\$8,726	\$1,702	\$1,936	\$1,289	-\$16,215 <sup>(7)</sup>	-\$11,288	\$7,458
Income from Continuing Operations	\$9,271	\$2,896	\$3,676	\$2,076	\$22,875	\$31,523	\$11,406
Discontinued Operations Loss <sup>(8)</sup>	-\$4,593	-\$1,573	-\$8,354	\$0	\$0	-\$9,927	\$0
GAAP Net Income (Loss)	\$4,678	\$1,323	-\$4,678	\$2,076	\$22,875	\$21,596	\$11,406
GAAP Earnings Per Share	\$0.13	\$0.04	-\$0.12	\$0.05	\$0.57	\$0.56	\$0.28
Non-GAAP Net Income	\$40,557	\$7,433	\$7,590	\$6,846	\$6,896	\$28,765	\$28,517
Non-GAAP Earnings Per Share	\$1.10	\$0.20	\$0.20	\$0.17	\$0.17	\$0.74	\$0.70
Outstanding Shares	36,089	36,502	37,964	39,323	39,534	39,534	39,804
Basic Shares	35,886	36,339	37,422	38,568	39,448	37,954	39,692
Fully-diluted Shares	36,829	37,084	38,128	39,158	40,074	38,621	40,978
Cash & Short-term Investment	\$253,736	\$249,765	\$263,402	\$279,276	\$293,551	\$293,551	\$129,868
Outstanding Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$85,000
Net Cash	\$253,736	\$249,765	\$263,402	\$279,276	\$293,551	\$293,551	\$44,868

Notes to Consolidated Financial Results on next page

## Notes to Consolidated Financial Results

<sup>(1)</sup> On January 31, 2012, the Company acquired TaxACT Holdings, Inc. and its wholly-owned subsidiary, 2<sup>nd</sup> Story Software, Inc., which operates the TaxACT tax preparation software and online service and software business. The TaxACT business consists of an online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary data storage and financial services. The majority of the TaxACT business's revenue is generated by the online service at [www.taxact.com](http://www.taxact.com). As a highly seasonal business, almost all of the TaxACT revenue is generated in the first four months of the calendar year. Amounts represent the results of operations for the TaxACT business from February 1, 2012 to March 31, 2012.

<sup>(2)</sup> Amounts do not include amortization of acquired technology and costs associated with the operation of the Company's data center that serves its tax preparation and search businesses, including depreciation, personnel expenses, (including stock-based compensation expense), energy, and bandwidth costs, and personnel costs associated with customer service.

<sup>(3)</sup> Amount for the quarter ended March 31, 2012 includes \$1.1 million in transaction costs related to the TaxACT acquisition.

<sup>(4)</sup> Amount for the quarter ended March 31, 2012 includes \$3.4 million related to amortization of acquired intangible assets related to the TaxACT acquisition.

<sup>(5)</sup> In the quarter ended September 30, 2011, \$1.9 million in stock-based compensation expense was recorded in association with issuance of a warrant. In the quarter ended March 31, 2011, \$5.2 million in stock-based compensation expense was recorded in association with the modification of the terms of a warrant and the vesting of a non-employee performance-based equity award, which were both triggered by the acquisition of the TaxACT business.

<sup>(6)</sup> Amounts represent the non-cash portion of income tax expense from continuing operations. The Company excludes the non-cash portion of income tax expense because of its ability to offset a substantial portion of its cash tax liabilities by using these deferred tax assets. The majority of these deferred tax assets will expire if unutilized in 2020.

<sup>(7)</sup> Amount includes a tax benefit of \$19.6 million, due to the release of the valuation allowance on deferred tax assets.

<sup>(8)</sup> In the quarter ended June 30, 2011, the Company completed the sale of its Mercantila e-commerce business. The operating results of that business have been presented as discontinued operations for all periods presented.

## **InfoSpace Non-GAAP Reconciliation** <sup>(1)</sup>

(in thousands except earnings per share, rounding differences may exist)

	2010		2011				2012	
	<u>FYE 12/31</u>	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>FYE 12/31</u>	<u>1Q12</u>	
<b><u>Adjusted EBITDA</u></b>								
Net Income <sup>(2)</sup>	\$ 4,678	\$ 1,323	\$ (4,678)	\$ 2,076	\$ 22,875	\$ 21,596	\$ 11,406	
Discontinued operations	4,593	1,573	8,354	-	-	9,927	-	
Depreciation	6,596	1,451	1,376	1,115	919	4,861	951	
Amortization of intangible assets	9,197	958	772	518	347	2,595	3,624	
Stock-based compensation	13,919	2,033	1,338	3,049	1,267	7,687	6,708	
Other (income) expense <sup>(3)</sup>	(15,244)	(75)	(107)	455	972	1,245	1,555	
Income tax expense (benefit)	8,726	1,702	1,936	1,289	(16,215)	(11,288)	7,458	
Adjusted EBITDA	\$ 32,465	\$ 8,965	\$ 8,991	\$ 8,502	\$ 10,165	\$ 36,623	\$ 31,702	
<b><u>Non-GAAP Net Income</u></b>								
Net Income <sup>(2)</sup>	\$ 4,678	\$ 1,323	\$ (4,678)	\$ 2,076	\$ 22,875	\$ 21,596	\$ 11,406	
Discontinued operations	4,593	1,573	8,354	-	-	9,927	-	
Amortization of acquired intangible assets	9,197	958	772	518	347	2,595	3,624	
Stock-based compensation	13,919	2,033	1,338	3,049	1,267	7,687	6,708	
Loss on derivative	-	-	-	-	-	-	272	
Cash tax impacts of GAAP adjustments	(360)	(43)	1	(18)	20	(40)	(90)	
Non-cash income tax expenses (benefit) from continuing operations <sup>(1)</sup>	8,530	1,589	1,803	1,221	(17,613)	(13,000)	6,597	
Non-GAAP net income <sup>(4)</sup>	\$ 40,557	\$ 7,433	\$ 7,590	\$ 6,846	\$ 6,896	\$ 28,765	\$ 28,517	
<b><u>Non-GAAP Earnings Per Share</u></b>								
Non-GAAP Net Income	\$ 40,557	\$ 7,433	\$ 7,590	\$ 6,846	\$ 6,896	\$ 28,765	\$ 28,517	
Non-GAAP Earnings Per Share <sup>(4)</sup>	\$1.10	\$0.20	\$0.20	\$0.17	\$0.17	\$0.74	\$0.70	
Fully-diluted Shares	36,829	37,084	38,128	39,158	40,074	38,621	40,978	

<sup>(1)</sup> For definitions of these non-GAAP financial measures and their relationship to the Company's GAAP financial statements, please see Note 1 to the Company's Reconciliations of Non-GAAP financial Measures to the Nearest Comparable GAAP Measure for the three months ended March 31, 2012 and 2011 in exhibit 99.1 to this Current Report on Form 8-K filed on March 9, 2012.

<sup>(2)</sup> As presented in the Preliminary Condensed Consolidated Statements of Operations (unaudited).

<sup>(3)</sup> Other loss (income), net includes such items as interest expense, interest income, derivative instrument gains or losses, foreign currency gains or losses, gains or losses from the disposal of assets, adjustments to the fair values of contingent liabilities related to business combinations, gains on resolutions of contingencies and litigation settlements.

<sup>(4)</sup> Amounts previously disclosed have been revised to reflect the effect of classifying the Company's Mercantila e-commerce business as discontinued operations.

## InfoSpace Operating Metrics - Search

	<u>2010</u>	<u>2011</u>					<u>2012</u>
	<u>FYE 12/31</u>	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>FYE 12/31</u>	<u>1Q12</u>
<b><u>Revenue by Source</u></b>							
Owned & Operated (B2C)	31%	27%	22%	19%	16%	21%	13%
Distribution (B2B)	69%	73%	78%	81%	84%	79%	87%

\* Owned & Operated includes revenue from the Make The Web Better acquisition in 2Q 2010; the installed base has experienced attrition since the acquisition. Owned & Operated also includes other development-stage initiatives.

## InfoSpace Operating Metrics - Tax Preparation

*(in thousands, rounding differences may exist)*

	<u>2011 Season through:</u>		<u>2012 Season through:</u>		<u>% Change Year over Year</u>	
	<u>3/31/11</u>	<u>4/19/11</u>	<u>3/31/12</u>	<u>4/18/12</u>	<u>3/31/12</u>	<u>4/18/12</u>
Consumer (DDIY) e-files	3,626	4,654	3,913	5,025	8%	8%

## Tax Preparation Segment - Pro Forma 1Q Year-over-Year Results

(in thousands, rounding differences may exist)

	(a) <u>1Q12</u>	<u>1Q11</u>	<u>Growth</u>
Pro Forma Revenue	\$ 61,944	\$ 56,758	9%
Pro Forma Segment Income	(b) \$ 30,577	\$ 28,564	7%
Segment Margin	49%	50%	

(a) Includes \$650,000 of revenue not reported on a GAAP basis due to purchase accounting in February and March 2012, and revenue of \$20.9 million for January 2012 (prior to acquisition).

(b) Excludes \$120,000 and \$1.1 million of non-operational expenses related to a non-consummated sales transaction for 1Q 2012 and 1Q 2011.

## Tax Preparation Segment - Pro Forma Calendar Quarter Historical Performance

(in thousands, rounding differences may exist)

	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>FY 2011</u>
Pro Forma Revenue	\$ 17,815	\$ 2,004	\$ 2,204	\$ 78,782
Pro Forma Segment Income	(c) \$ 10,556	\$ (435)	\$ (1,134)	\$ 37,551
Segment Margin	59%	-22%	-51%	48%

(c) Excludes \$1.8 million, \$3.6 million, \$2.9 million and \$9.3 million of non-operational expenses related to a non-consummated sales transaction for 2Q 2011, 3Q 2011, 4Q 2011 and full-year 2011.

## **Pro Forma - Consolidated Financial Performance**

twelve months ending 3/31/2012

(in thousands, rounding differences may exist)

	<b>(a)</b> <b>Tax</b>			
	<b>Preparation</b>	<b>Search</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 83,968	\$ 252,458	\$ -	\$ 336,426
Segment income	\$ 39,564 <b>(b)</b>	\$ 48,484	\$ -	\$ 88,048
Unallocated Corporate expenses	\$ -	\$ -	\$ (11,260)	\$ (11,260)
Adjusted EBITDA				\$ 76,788
Non-GAAP Net Income				\$ 64,345
Non-GAAP Earnings Per Share				\$ 1.63
Diluted Shares for the twelve-month period ended March 31, 2012				39,586

**(a)** Includes \$650,000 of revenue not reported on a GAAP basis due to purchase accounting in February and March 2012, and \$42.9 million of revenue prior to the acquisition (April 2011 - January 2012).

**(b)** Includes \$650,000 of revenue not reported on a GAAP basis due to purchase accounting in February and March 2012 and excludes \$8.4 million of non-operational expenses related to a non-consummated sales transaction.



## **Pro-Forma Free Cash Flow ("FCF")**

twelve months ending 3/31/2012

*(in thousands, rounding differences may exist)*

Pro Forma Adjusted EBITDA	\$ 76,788
Less - Pro Forma Capital Expenditures	\$ (2,100)
Less - Pro Forma Cash Taxes	<u>\$ (800)</u>
Unlevered FCF	\$ 73,888
Less - Pro Forma Cash Interest Expense	<u>\$ (5,000) (a)</u>
Levered FCF	<u><u>\$ 68,888</u></u>

(a) Interest expense estimated at initial debt amount of \$100 million and assumes a 5% interest rate, and as of March 31, 2012, \$85 million of debt is outstanding.

## **InfoSpace Pro Forma Non-GAAP Reconciliation**

twelve months ending 3/31/2012

*(in thousands except rates, rounding differences may exist)*

### **Pro Forma Adjusted EBITDA**

Pro forma income from continuing operations	\$ 18,108
Pro forma depreciation	4,971
Pro forma amortization of intangible assets	22,033
Pro forma stock-based compensation	13,373
Pro forma other expense, net	7,034
Pro forma income tax expense	11,269
Pro Forma Adjusted EBITDA	<u>\$ 76,788</u>

### **Pro Forma Non-GAAP Net Income**

Pro forma income from continuing operations	\$ 18,108
Pro forma amortization of acquired intangible assets	22,033
Pro forma stock-based compensation	13,373
Loss on derivative	272
Pro forma cash tax impact of GAAP adjustments	90
Pro forma non-cash income tax expense from continuing operations	10,469
Pro forma non-GAAP net income	<u>\$ 64,345</u>
Pro forma non-GAAP Earnings per share - diluted	\$ 1.63
Weighted average diluted shares	39,586

<sup>(1)</sup> For definitions of these non-GAAP financial measures and their relationship to the Company's GAAP financial statements, please see Note 1 to the Company's Reconciliations of Non-GAAP financial Measures to the Nearest Comparable GAAP Measure for the three months ended March 31, 2012 and 2011 in exhibit 99.1 to this Current Report on Form 8-K filed on March 9, 2012.