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PARTICIPANTS

Corporate Participants

Erica Mannion – President, Sapphire Investor Relations, LLC.
Daryl Otte – Chief Executive Officer
Thomas J. Etergino – Chief Financial Officer

Other Participants

Justin Ruiss – Micro Cap Research Analyst, Sidoti & Company, LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and thank you for standing by. Welcome to the TheStreet's Full Year and Fourth Quarter 2011 Earnings Conference Call. This call is being webcast live on the Investor Relations section of TheSteet's website at www.t.st. This call is a property of TheStreet and any recordings, reproduction or transmission of this call without the expressed written consent of TheStreet is strictly prohibited.

As a reminder, today's call is being recorded. You may listen to the webcast replay of this call by going to the Investor Relations section of TheStreet's website.

I would now like to turn the call over to Erica Mannion of Sapphire Investor Relations for TheStreet.

Erica Mannion, President, Sapphire Investor Relations, LLC.

Good afternoon. Thank you for joining us to discuss TheStreet's financial and operating results for 2011 fourth quarter and year-end.

With me today are Daryl Otte, Chief Executive Officer and Tom Etergino, Executive Vice President and Chief Financial Officer. Today, Daryl will begin with an overview of the quarter and full year's progress and achievements. Then Tom will review fourth quarter and full year financial results.

All statements made on this call, other than statements of historical facts, are deemed to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, including those described in the company's filings with the Securities and Exchange Commission that could cause actual results to differ materially from those reflected in the forward-looking statements. Although the company believes that the expectations reflected in the forward-looking statements are reasonable, the company cannot guarantee future results or occurrences.

The company disclaims any obligation to update these forward-looking statements, whether as a result of new information, future developments, or otherwise. You may obtain copies of the company's filings with the SEC at the Commission's website, www.sec.gov.

And additional information related to matters discussed today will also be set forth in the company's report on Form 10-K, which the company expects to file shortly.

Now, I will turn the call over to Daryl Otte.

Daryl Otte, Chief Executive Officer

Thanks, Erica. Hi, everyone, and welcome to our fourth quarter and full-year 2011 earnings call. As you will have seen from the earnings release, we found out earlier today our results for the quarter were somewhat mixed, showing excellent progress strategically yet with some lingering issues in monetization, particularly in the area of advertising sales and new subscription account acquisitions.

The monetization challenges were driven both by market environmentals and execution. In the face of these challenges, we've remained disciplined on the expense side by reducing head count and bringing down G&A cost by 12% year-over-year. This enabled us to increase our spending in editorial and sales and marketing to further the strategies needed to transform and modernize the business while delivering on our goals for positive adjusted EBITDA and operating cash flow for the quarter and the year.

Throughout the year, but particularly in Q4, we delivered tangible progress in the rollout of our key strategic initiatives, namely the TheStreet Business Desk, our mobile products and institutional Premium Services. These initiatives are all engineered to bring our high-quality and engaging content to new incremental audiences both within the financial vertical for retail and am-pro investors and beyond our traditional vertical to the broader business news market.

Success here was demonstrated by the impressive growth in the size of the audience consuming our content. Our internal logs measured 25% growth in average monthly unique visitors during the quarter, compared to the same period last year while comScore measured a 45% growth over the same period.

Importantly, the primary source of this growth was from encouraging adoption rates from our new initiatives, offsetting a general softness during the quarter in interest in investing content by retail investors. The weak demand for investment-related content from retail investors appeared to us to be an industry-wide condition reflected in the volume of searches Google processed covering financially-related terms and third-party measurements by comScore and others covering the overall size of the audience for the investment vertical.

The market challenges will be familiar to the investment community listening to our call today. Retail investors seeking to purchase a premium service to use to enter the market and start investing and the advertisers that seek to reach those investors both moved to the sidelines in the spring of 2011 and had not yet returned by the close of the year. Evidence of this includes the publicly reported new account acquisition rates for online brokerages, which were down in the double-digits. Online brokerage Daily Average Revenue Trade or DART volumes were down generally as well and even broader exchange trading volumes were down.

Given these conditions, we were happy to have as a strategic hedge, our new initiatives driving audience growth and extending our business into verticals less dependent upon the retail investor. Herein, however, some execution issues remain unresolved. On the advertising side, our team is not yet delivering sufficiently well in monetizing the new incremental audiences that are driving our growth, particularly in establishing new advertiser relationships in the business and technology categories.

Indeed in Q4 the number and dollar value from financial advertisers declined year-over-year as one might expect given the market conditions. Despite the rapid growth of our new incremental audience, the amount of business we landed from non-financial advertisers seeking to reach that new audience was not yet enough to make up for the revenue decline from our core advertising.

As a consequence, advertising revenue per unique visitor and overall revenue fell. While this may be explained partly by the natural lag in selling a new audience – that is you need to first establish that you have the audience before you can sell it – Improving our monetization of the new audience is a key focus for us moving forward. That said, there were some bright spots as one of our top five advertisers for the year and two of our top five advertisers for the quarter were non-endemic to us.

On the Premium Services side, our existing base of subscribers performed as expected. Subscriber churn remained in normal ranges and the average revenue per user grew over the same period last year. And the institutional business launched earlier in the year continued to expand.

New account acquisition lagged, however, putting downward pressure on our total subscription count and on our bookings. Certainly, market sentiment played a part in the difficulty of acquiring new accounts, but there were execution issues as well. One factor was the financial returns delivered by our premium service offerings, which manage actual investment portfolios or model portfolios. Unfortunately, returns from these services fell short OF their relative benchmarks and as one might expect, this makes marketing to new potential subscribers more challenging.

While turning the business around remains unfinished, I remain bullish on our prospects; first, because I know the challenges in Q4 can be addressed. Indeed the market has been off to a strong start, and we believe retail investors are now beginning to show renewed interest in the market and investing; and second, we're on our way to fixing some of the execution issues. More importantly, however, we're seeing good progress in underlying organic demand in the lines of business that take the company into new broader marketplaces, TheStreet Business Desk, our mobile offering and our institutional product line.

I believe these projects will extend the reach and addressable market for our organization and provide a growth trajectory for it over the long haul. With respect to our Business Desk service having launched the new service less than a year ago, I am happy to report that we now have this service under contract for the sites of almost 400 newspapers, close to 100 more than we reported on our last call, and we have already implemented this service on 230 sites using the proprietary technology our teams have developed. Among the sites in which the service is now being implemented, there are some new larger papers such The Dallas Morning News, Denver Post, San Jose Mercury News, LA Daily News and The Long Beach Press-Telegram.

We are beginning efforts to move beyond the newspaper industry to sign additional partners from other media sectors, including the cable industry and local television. This network of sites stitched together forms the backbone of an entirely new advertising product for us, a new incremental unduplicated and highly competitive national business audience, which is appealing to a set of advisers new to the company. It is noteworthy to mention that all this is being accomplished largely through the repurposing of existing assets, including leveraging of our existing high-quality business markets investing and financial content.

With respect to our mobile offerings, we now have a growing suite of offerings on each major platform, a rapid expansion considering this initiative commenced less than a year ago. We launched a number of new services in the quarter and are seeing an acceleration of downloads and launches both on iOS and new on the Android platform. Users are really taking to these services with downloads and launches more than doubling in Q4 over Q3. These services are now advertising supported, but we have user revenue initiatives in the product roadmap launching shortly.

Our institutional premium offerings for the investment community continues to build booking, however, remains a small portion of our total revenue given in part the lag between bookings and revenue recognition. We added to distribution power in the quarter in the form of an additional sales position, an example of where we've cut overhead cost and reinvested in a way that will drive product and monetization. Finally, these services have higher ARPU and are renewing at higher rates than our core, contributing over time valuable characteristics to our file.

As was announced in December of last year, I will be stepping down as CEO by March 31. As you may have seen today, the company announced the appointment of Elisabeth DeMarse as the company's new CEO. As a significant stockholder, I am excited about the announcement as Elisabeth should be the perfect fit for the role. Elisabeth has had great success in creating value at digital financial media companies, including Bankrate and CreditCards.com, at each of which she served as CEO. She will be starting shortly and I look forward to assisting her with a smooth transition. I have great hopes and expectations that she will build up on the strategic groundwork we have put in place over last few years and will take the company to new successes.

With that in mind, I want to thank one last time our investors, employees, board members, contributors, and partners for their great work and support during my tenure here, and I look forward to seeing the great work continue.

Now I'll pass the call to Tom to give you some detail on the financial and operating results.

Thomas J. Etergino, Chief Financial Officer

Thanks, Daryl, and welcome everyone. As a reminder, all financial information I'll be discussing is based on our pro forma results for 2010, while no pro forma adjustments were made for 2011. The pro forma adjustments made in 2010 exclude the company's May 2010 divestiture of our banking and insurance ratings product line, and TheStreet Ratings revenue from Global Research.

Now on to the results. The company recorded revenue of $57.8 million for the year and $14.3 million in the fourth quarter, which, when compared to prior years, represents a 1.8% increase for the year and a 2.8% decrease for the quarter. For the year, revenue contribution from Marketing Services was $18.2 million while revenue contribution from our Premium Services business was $39.5 million. For the fourth quarter, revenue contribution from Marketing Services was $4.4 million, and revenue contribution from Premium Services business was $9.8 million.

The company's Marketing Services revenue declined 1.8% for the year, and 15.6% for the fourth quarter. We attribute our decline to both macroeconomic challenges and execution on monetization, as Daryl mentioned earlier. While these results disappointed us, we did see encouraging growth in Q4 from our non-financial advertisers who increased their spend by 19% against Q4 of 2010.

As we continue to diversify our advertiser base, though clearly, this increase did not make up for cautious levels of investment from our core advertiser base. It is also worth noting that our 2012 upfront commitments from advertisers were up year-over-year largely due to greater commitments from a more diversified financial advertiser base than we have had in the past. As a reminder, these upfront commitments are longer term in nature, and the timing of the advertising dollars can vary due to the advertisers' specific quarterly objectives.

As for our audience, we have continued to execute on our strategy of building the size of our audience that visits our network while maintaining the highly valuable demographic characteristics of that audience. As Daryl mentioned, the size of our audience grew sharply in the fourth quarter of 2011 according to our internal measurements, with the average number of monthly unique visitors to our site growing 25%.

This internally-measured growth was once again collaborated by the industry-recognized external rating services, which show even larger growth. Our Business Desk product, which is part of our long-term growth strategy, is doing well. As a remainder, we launched the Business Desk service with new partners utilizing existing resources without material incremental costs. To-date we've signed partners that together represent almost 400 web properties.

In addition, mobile continues to grow. Our page views for mobile Internet are up almost 80% from Q4 of 2010, and the cumulative number of downloads of our suite of Apple apps are now in the six digits.

Moving onto the Premium Services business, subscription bookings were $39.7 million for the year and $8.9 million for the fourth quarter, an increase of 5.7% for the year, and a decrease of 6.8% for the quarter, compared to prior-year periods. While bookings did increase overall for the year, the fourth-quarter bookings demonstrate the challenge in new account acquisition as retail investors have not yet reentered the market despite the rise in various market indices.

Revenue from our Premium Services businesses increased 3.6% for the year and 4.3% for the quarter, compared to prior-year periods. The increase for the year was primarily attributable to a 2% increase in the average number of subscriptions combined with an increase of 2% in the average revenue per subscription. The increase for the quarter was primarily attributable to a 7% increase in the average revenue per subscription, partially offset by a 2% decrease in the average number of subscriptions as compared to the prior-year period.

The increase in ARPU was driven by both favorable product mix driven by our telesales organization's upselling efforts and higher product pricing. Our average monthly churn rate was 3.8% for the fourth quarter of 2011, compared to 3.6% in the fourth quarter of 2010. As a reminder, we expect that there will be moderate quarterly fluctuations in churn due to the quarterly fluctuations in the size of our subscription renewal pools and other factors. This quarter's churn is within the normal range we expect.

Faced with the challenging quarter on the revenue front, we continue to show we can manage our expense structure to adapt to the times. Operating expenses were $66.6 million for the year and $16.8 million for the quarter, a 5.7% increase for the year and 0.7% increase for the quarter, compared to prior-year periods.

Without the impact of non-recurring costs such as restructuring costs, asset impairment and the gain on disposition of assets, operating expenses for the year increased 1.5% and decreased 10.3% for Q4 2011. During the year, we effectively changed the overall composition of our expenses while we focused additional spending on product and sales and marketing spend.

The shift in spending for the full year was mainly attributable to lower general and administrative expenses. This decrease in G&A expense were a result of lower compensation-related costs, as well as lower professional and consulting services spending. These lower G&A costs were primarily offset by increased spending in our sales and marketing and product efforts.

Sales and marketing head count increased 12% over last year, and we increased spending on TheStreet Business Desk as this new product has shown solid traction as I mentioned earlier.

Overall head count at year-end 2011 was slightly down as compared to 2010. As you will note, we incurred $1.8 million in restructuring and other charges in Q4 2011. These expenses relate to the CEO transition and other actions taken to flatten our management structure.

The company reported a net loss of $8.2 million for the year and $2.4 million for the fourth quarter of 2011 as compared to a net loss of $5.4 million and $1.7 million for the prior-year periods. Adjusted EBITDA was a positive $2 million for the year and $1.2 million for the fourth quarter of 2011 as compared to $1.2 million and $0.0 for the prior-year periods. The company ended the quarter with cash, cash equivalents, restricted cash and marketable securities of $75.3 million, a decrease of $1.5 million, compared to September 30, 2011. The company generated $200,000 in cash flow from operations for the fourth quarter.

For the full-year 2011, the company generated $3.6 million in operating cash flow and $1.6 million of free cash flow. Total capital expenditures for the year were $2 million, down 71% from 2010. Lastly, the company continued its dividend payment policy during the quarter providing return on investment to our shareholders as we manage through this macroeconomic environment, and continue to build the business.

Before I turn the call over to the operator for questions, I would like to say thank you to Daryl on behalf of the company for the last three years. He is leaving the company in a much better position than when he arrived with many of our strategic initiatives starting to take hold. We wish him all the best in the future.

I'd also like to welcome our new CEO, as we have announced today, Elisabeth DeMarse is joining us. I've had the pleasure of meeting her during the process and I am very excited about her starting, as she is a tremendously skilled digital medial executive with a long history in the financial information vertical.

Now, I would like to ask the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] Thank you, our first question comes from the line of Michael Mauskopf of MRM Capital.

<Q>: Hey, Tom.

<A – Thomas Etergino – TheStreet, Inc.>: Hey. How are you doing, Mike?

<Q>: I'm doing okay. The average revenue per sub, did you say it was up 7% year-over-year?

<A – Thomas Etergino – TheStreet, Inc.>: The average revenue per sub was up 7% year-over-year – for the quarter, 2% year-over-year.

<Q>: 2% year-over-year, and then up 7% sequentially?

<A – Thomas Etergino – TheStreet, Inc.>: Q4 over Q4.

<Q>: Okay, right so up 7% year-over-year for Q4 versus Q4?

<A – Thomas Etergino – TheStreet, Inc.>: Yes.

<Q>: Okay. Regarding when – in the press release, when you talk about new institutional premium service, what exactly is that that you're referring to?

<A – Thomas Etergino – TheStreet, Inc.>: That's a service that's basically institutional investors – it's a subscription-based service that institutional investors or institutional folks sign into. It's like a chat room that kind of a trade-the-news type of service.

<Q>: It's TheStreet Chat, correct?

<A – Thomas Etergino – TheStreet, Inc.>: Yeah, that is, yeah.

<Q>: Okay, because I'm on it.

<A – Thomas Etergino – TheStreet, Inc.>: Right.

<Q>: [Laughter] That's why I wanted to just know.

<A – Thomas Etergino – TheStreet, Inc.>: That's – yeah, it's Chat on TheStreet.

<Q>: And can you expand a little on how that's doing?

<A – Thomas Etergino – TheStreet, Inc.>: So – we've seen some early success with breaking into a bunch of different desks, and they are taking a couple of seats, and I think they're testing it out. We've seen very low churn, and I think there is a large opportunity there to expand and grow from the initial sale that we make to them.

So we'll sell them a couple of seats and I think that going forward, we'll be able to upsell them into more seats. We've seen enough traction on it that we did hire a second person in Q4 who is just getting up to speed now. So, we're pretty excited about the product.

<Q>: Well, I would tell you that I've been on it since I think you guys had it, and it's a great product.

<A – Thomas Etergino – TheStreet, Inc.>: Oh, great. Thanks, Mike.

<Q>: Regarding the 400 newspapers, the Business Desk, new business so to speak, how do you guys monetize it, and how big is it right now as far as revenue, does it give any revenue? Like what's the theme to this whole thing as far as -

<A – Thomas Etergino – TheStreet, Inc.>: So the play on the Business Desk is really to leverage the – what we already create from our editorial perspective and get it out there and get a wider distribution for it. Typically, we're doing different types of deals. They could vary based on the different partners, usually there's a rev share-type deal where we are – we're actually selling the advertising and there's a rev share back to them.

So that's the basic concept. And again, we have, like you said, over 400 – about 400 sites that are signed on to it. We've implemented over 230 of them, and as far as the monetization, it's been lagging. There's a little bit of a chicken-and-an-egg thing going on where we have to get enough volumes in order to actually be able to sell it effectively. So, we're starting to get to that kind of critical juncture where we think we could sell it specifically, and on its own because it is a really good demographic, a very similar demographic to our demographic.

<Q>: And basically, are you regurgitating some of the content that's on the premium and the free site?

<A – Thomas Etergino – TheStreet, Inc.>: That's exactly what we're doing, yes. And they have – they can pick and choose what they want, especially from the free site and have different categories and create their own business section based on our content.

<Q>: Have you seen any subscription growth from that?

<A – Thomas Etergino – TheStreet, Inc.>: We're just starting to do that, Mike, where we're going to start promoting some of the subscription services, more on their websites, but we're just in the early stages of that.

<Q>: Okay. And regarding the new hire of Elizabeth, she came from two public companies, as well as Bloomberg. What did she actually do for Bloomberg, and how long was she there, because it's not in the press release?

<A – Thomas Etergino – TheStreet, Inc.>: She did a lot of marketing, and I think she worked directly with Michael. I don't really have more information than that really on her Bloomberg background. But then like you said, she was at two public companies, she was at CreditCards.com, she was at Bloomberg and then at Bankrate. So, again, her background in our vertical, the financial vertical is a strong line, and I'm real excited about her.

<Q>: Do you have any idea like how many years she was at each company, ballpark, Bankrate, how long she was CEO in CreditCards.com?

<A – Thomas Etergino – TheStreet, Inc.>: Yeah. Well, I'll have to get it all for you as far as the years at each one.

<Q>: All right. Last question, as far as Q1 of this year so far...

<A – Thomas Etergino – TheStreet, Inc.>: Yeah.

<Q>: – how is business going?

<A – Thomas Etergino – TheStreet, Inc.>: Like I always say, Mike, we don't give forward-looking guidance but, what we typically find is that Q1, January and February are slower and the quarter really hinges on March.

Retail investors have remained a little skittish in the first half of the quarter, but we have started to see a little bit of a rebound. I don't know if that rebound is going to continue, but the first half was challenging for us. That's kind of as much as I can try and go into it right now.

<Q>: Okay. All right. Thanks, Tom.

<A – Thomas Etergino – TheStreet, Inc.>: Sure.

Operator: Thank you. And our next question comes from the line of Justin Ruiss of Sidoti.

<Q – Justin Ruiss – Sidoti & Company, LLC>: Good afternoon.

<A – Thomas Etergino – TheStreet, Inc.>: Hey.

<Q – Justin Ruiss – Sidoti & Company, LLC>: I just had a quick question in terms of the cost-cutting that's going on. Is there going to be any more room for that going forward, or have all the costs really been – that you can take out been exercised?

<A – Thomas Etergino – TheStreet, Inc.>: Look, we're always looking to become as lean as possible. I think with Elisabeth starting, we'll have to see what the strategy will be around that.

<Q – Justin Ruiss – Sidoti & Company, LLC>: Okay. Does she plan on changing any of the strategies going forward, or is there going to be much difference in the business model?

<A – Thomas Etergino – TheStreet, Inc.>: I'm going to have to leave that for Elisabeth to address. She hasn't even started yet, so we're going to let her come in and decide what she wants to do.

<Q – Justin Ruiss – Sidoti & Company, LLC>: Okay. And then I guess lastly, I just kind of – in terms of marketing, do you have any degree of what marketing tool is working the best for you at this point, what's performing better than the others?

<A – Thomas Etergino – TheStreet, Inc.>: I think that our telesales group is working well on upsells and I think that we're starting to see some – we also see good traction in our e-mail channel. We've always done pretty well with our e-mail channel. We have a very captive audience who has opted in to get information from us. And so they are primed for buying our subscription products because they have self-selected into newsletters and things like that. So, that's what I would say is our probably the strongest channels right now.

<Q – Justin Ruiss – Sidoti & Company, LLC>: Okay, perfect. Thank you very much.

<A – Thomas Etergino – TheStreet, Inc.>: You bet.

Operator: Thank you, sir. [Operator Instructions] And I see no further questions at this time. I would now like to turn the conference back to Mr. Daryl Otte for any closing remarks.

Daryl Otte, Chief Executive Officer

Thank you very much, thanks, everyone for participating in the call, and we look forward to handling this up to Elizabeth. She'll speak to you shortly about Q1. Thanks, everyone. Bye-bye.

Operator: Ladies and gentlemen, this does conclude today's presentation. Thank you, once again for your participation. You may now disconnect. Have a great day.