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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by. Welcome to the QuinStreet Fourth Quarter and Fiscal Year 2010 Financial Results Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions.

(Operator Instructions)

This conference is being recorded today, Monday, August 9, 2010. I would now like to turn the conference over to Erica Abrams. Please, go ahead, ma'am.

Erica Abrams - *QuinStreet, Inc. - IR*

Thank you, and good afternoon, ladies and gentlemen. Thank you for joining us today as we report QuinStreet's fiscal fourth quarter and full year 2010 financial results. This call is being simultaneously webcast on the investor relations section of the Company's website at www.quinstreet.com.

Joining me on the call today are Doug Valenti, CEO, and Ken Hahn, CFO, of QuinStreet. Before we get started, I would like to remind you that the following discussion contains forward-looking statements that involve risks and uncertainties and that

QuinStreet actual results may vary materially from those discussed here. These risks and uncertainties are discussed in our most recent SEC reports, notably the Company's 10-Q filing with the SEC on May 12, 2010.

Forward-looking statements are based on current expectations and the Company does not intend and undertakes no duty to update this information to reflect future events or circumstances. In addition, we have a number of investor events planned in the upcoming months and welcome the opportunity to give investors a deeper understanding of QuinStreet.

Management will present at the Oppenheimer Technology Conference in Boston, the Credit Suisse Small Cap Conference in Boston and ThinkEquity's 7th Annual Growth Conference in New York. Management will also conduct non-deal roadshows in Detroit, Milwaukee, Minneapolis and other major US cities over the next few weeks.

And now I will turn the call over to Doug, CEO of QuinStreet. Doug, please, go ahead.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Thank you, Erica. Good afternoon, everyone. Thank you for joining us today. We had another good quarter, completing a very strong fiscal 2010. Q4 was the third consecutive quarter of 30%-plus revenue growth. I'm pleased with the progress and outlook for the business.

Total revenue for the quarter was $88.5 million. That's up 31% over the same quarter last year. Adjusted EBITDA margin was 22%, above our annual target and inclusive of continued aggressive spending on new media development, new clients and verticals and new technologies. We make these investments, as always, because of the enormous size and early stage of our overall market opportunity and to support continued strong growth and performance.

Organic growth was approximately 22% of the 31% total, consistent with levels reported for previous periods of FY10. As I indicated earlier, the fourth quarter wraps up a very strong fiscal 2010. Revenue increased 29% in the year to $335 million. Adjusted EBITDA margin was 21%. Note that this is our eighth consecutive year of strong growth and profitability.

In the quarter and throughout the year we saw good momentum and strength across the business. We increased our vertical footprint, our client demand, traffic to our owned-and-operated websites, third-party media sources and media yields or eCPMs.

It was a particularly good year for growth in Internet visitor interest, and engagement with our owned-and-operated websites and our client programs. It was also an excellent year of execution for the Company. All in all, already one of the largest Internet marketing media companies in the world, we significantly grew market share in FY10.

Looking by client vertical, revenue in financial services increased 76% in the quarter over the same period last year. Financial services represented 44% of total revenue in the period, our largest vertical for the second quarter in a row. We continue to see rapidly increase in client demand, and we continue to very effectively grow our media footprint and capabilities to meet that demand in financial services.

On the subject of financial services media, in July subsequent to the close of the quarter, we acquired website, media and technology assets of Insurance.com for $35.6 million in total consideration. The acquisition was, of course, part of our ongoing efforts and promise to continue to grow owned-and-operated media in all of our verticals. We have, as you know, made dozens of media asset purchases over the past few years.

Owned-and-operated media gives us greater control of quality and margin, greater long-term leverage in the business and an appreciating media asset base for future value creation. We are excited about the excellent current position of Insurance.com as a media asset. We are even more excited about it as a platform for continuing to grow and improve the quantity and quality of our consumer media offerings in insurance.

Like numerous other media acquisitions we have made in financial services and even at this very early stage, Insurance.com is performing well for us, well ahead of our acquisition model.

Of course, we will not operate Insurance.com as an agency, as did the previous owners, instead, and as you would expect, we plan to focus our efforts on improving and growing Insurance.com traffic and visitor engagement as a targeted online media property, and to monetize the traffic by best matching visitors with our insurance clients and their offerings, delivering those matches and qualified leads and qualified clicks.

The approach is very similar to what we had done successfully with Insure.com and many others. We are excited about the addition of Insurance.com to our media mix. You may have seen news reports about Insurance.com and the transaction; some reporting layoffs of some 140 employees. This information was gleaned from a WARN Act filing by the previous owner.

I want to make one correction to some of what has been reported. QuinStreet is not laying off anyone in connection with this transaction. It is our understanding though, that the layoffs are associated with the previous owners' winding down of their agency operations, which of course we did not acquire.

Turning now to education and the education client vertical, there, revenue increased 15% in the quarter if you exclude the effects on one large and previously disclosed education customer that dramatically changed their marketing spend and strategy with us this past year.

If you include that customer, education revenue was down 5% over the fourth quarter of 2009. On an annual basis, the education vertical was up 19% over the prior year excluding the one customer and up 1% including them.

Our ability to have so quickly made up run-rate revenue losses of some 50% from our largest education client over the past seven months demonstrates the strength of QuinStreet's offerings and our position in the education online media channel, as well as the resiliency, flexibility and underlying growth capabilities of our business model.

Had we not experienced the drop in the one client's demand, company revenue in FY10 would have been up 36% in the year. Even with the drop, again, we were up 29%, and we beat target margins.

Our education vertical momentum is strong. We are currently experiencing record demand and outlook from our education clients. We have a record number of education clients doing over $1 million per month in revenue with us, and we are serving a record number of education clients overall.

As you might expect then, our main priorities in education are to expand media and increase yields and match rates to increase our capacity to be able to deliver our typical high quality, well-matched student inquiries to meet the excess demand we are seeing there and to do that as soon as possible. We are making very good progress on those fronts.

Now, to our other non-education or financial services client verticals. Revenue there increased 96% in the quarter over the same period a year ago to $12.6 million. On an annual basis, those other verticals increased 31% to $38.7 million in FY10. These earlier stage verticals include home services, B2B and medical.

We made good progress expanding our footprint in building out these verticals in FY10. Already running at $50 million in annual revenue for the Company, we are excited about the continued and future growth prospects of these very big markets.

Now, back to education for just a moment. We continue to follow with keen interest the negotiated rulemaking, or neg reg, process being run by the Department of Education regarding the for-profit education industry. We have studied the department's proposed rules, received detailed reports from representatives in the negotiation sessions, held in-depth discussions with our clients and conducted detailed analysis of our likely exposure. We have been diligent, and we are well-informed about neg reg.

Our view remains that neg reg will not have a material negative impact on our business, instead, and quite to the contrary, we are currently benefiting from a flight to quality by education clients and seeing record demand and outlook for our services there.

Clients are telling us that they want to work with a smaller number of higher quality, more capable partners, and that they intend to eliminate sources or providers of less compliant and lower performing inquiries; lower performing usually because they are not as well-matched, qualified or informed as those that we deliver.

We continue to be acknowledged leader in compliance management and, of course, in delivering higher performing inquiries at scale. So, we are benefiting from these trends. We are seeing it in demand and outlook. Clients are voting with their budgets.

I should point out that highly-qualified, well-matched leads, our business mainstay for over ten years now, are not the industry practices being scrutinized and targeted by regulators, regulations or politicians.

I have personally sat with senior executives from our largest education clients in the past weeks. They had confirmed our view of the likely effects of new regulations and of the oversight. And the primary topic of our discussions has been how to meet their desires for significant increases in volume from QuinStreet.

Now, I don't want anyone to think that we have our head in the sand when it comes to neg reg or the seriousness of the political and regulatory scrutiny of the for-profit education industry more broadly. We realize that the industry is under intense scrutiny and that there will be new restrictions and regulations, much of it deserved, thus creating uncertainty and will lead to changes that could affect us.

But, as we look at the facts and rationally analyze these changes, we just are not seeing material negative effects in our outlook, particularly in the medium to long term as we and clients adapt and given the expressed demand from clients. But, also, as I stated earlier, we are actually benefiting in the near term.

The for-profit education industry is not going away. It serves too important a social purpose and does so effectively for the most part, especially given that it disproportionately serves minorities, the poor and working adults. Higher standards for the industry's performance will only make it stronger in the long run. Those standards are going to force the industry to be more effective and more efficient everywhere, including in marketing.

As they do so, it's important to understand that QuinStreet represents one of the largest sources of the most cost-effective and compliant new student inquiries available. Because of that, we are one of the last sources or channels to be cut. We are currently seeing dramatic increases in demand, as I mentioned before, due to client flight to quality as they begin to adjust their plans and their approaches to higher standards.

There was concern late last week generated by a press release from one of our largest education clients about improvements to their marketing practices and how those applied to us or might affect our business. The positive changes outlined in the press release are ongoing and have actually been underway for a couple of years now under their new excellent senior management team.

I spoke with the client immediately following the press release. They confirmed with me again that they intend to grow, not decrease QuinStreet volumes as a key part of their strategy to improve practices and quality, and as they consolidate with us as one of a smaller number of high-quality, third-party inquiry and media providers.

To help bracket neg reg still further, the Department of Education itself recently estimated that new gainful employment regulations, if fully implemented, would affect only 5% of industry programs starting in -- into 2012/13 academic year.

That assessment is consistent with our own internal calculations and analysis, where we are planning for negative, though immaterial, effects from decreases in programs that are most vulnerable to the gainful employment provisions. We see those decreases being more than offset by the positive effects of clients' flight to quality and growth in other program areas.

Finally, with respect to neg reg, and as you would expect, to mitigate any possible negative effects from new regulations we are adapting. We are focusing and prioritizing our efforts and network to program areas and clients expected to be least affected.

As you have heard from me on a number of occasions, and as we plan to continue to demonstrate, education is still a growth vertical for QuinStreet. And we expect to achieve double-digit growth there for years to come once we [lap] the one client's dramatic drop this coming November.

In summary, we are pleased to have delivered our third consecutive quarter with year-over-year revenue growth of 30% or more. Revenue grew significantly in all verticals, but for one client. Financial services continues to grow rapidly and is now our largest vertical. Education client demand is at record levels as we are benefiting from a flight to quality, driven by regulatory scrutiny and expected change, and as clients anticipate and adapt to new high standards.

We continue to spend aggressively on the development of new capabilities and future growth opportunities in the quarter, while delivering EBITDA margins above target levels. Fiscal 2010 was our eighth straight year of strong growth and of strong consistent profitability. We look forward to many more.

QuinStreet has never had stronger client demand, visitor traffic or competitive advantages. We are more excited than ever about the size and attractiveness of our markets. We remain confident in our long-term guidance of 15% to 20% annual growth and 20% EBITDA margins, and we expect to meet or exceed those rates of growth and profitability in the coming year.

With that, I'll turn it over to Ken, who will review the financials in more detail. Ken?

Kenneth Hahn - *QuinStreet, Inc. - CFO, Principal Accounting Officer*

Thanks, Doug. Hello, and thanks again for joining us today. As Doug said, it was an excellent quarter topping off an excellent year. Our $88.5 million quarterly revenue represents 31% top line growth over the fourth quarter of fiscal 2009.

For the entire fiscal year 2010, revenue increased 29% to $334.8 million. We achieved these strong growth rates while surpassing our annual 20% EBITDA margin target. EBITDA margin was 21% for the fiscal year and 22% for the fourth quarter. While we are a relatively new public company, we are certainly not a new company.

Before I delve into the details for the quarter, I want to emphasize our consistency over the longer term. Our compound annual growth rate for revenue since fiscal 2004 has been 32%. Over those seven years, our annual EBITDA margin ranged from 19% to 23%. Obviously, those EBITDA margins included a lot of investment in initiatives for future growth. That's why we have grown as much as we have and grown with such remarkable consistency.

So, while QuinStreet is new to public investors, we have performed for our long-term investors again with remarkable consistency. From a financial perspective, we plan to continue to deliver on our operating results, generate significant cash from operations, continue to expand upon our leadership position and growth potential in a large but still early stage growth market and, thus, continue to create shareholder value. We look forward to and are confident in our future performance.

We fully expect to establish the same level of consistent results as a public company that we have year after year as a private company. We aim to ensure that the broader public investor base comes to understand just how performance-focused QuinStreet is. And we plan to provide substantial returns for our long-term investors by relentlessly delivering results.

So, after providing a longer-term historical performance context, let's get back to discussing current results for the quarter and for the year. Let me first tell you about the top line performance in each of our client verticals. For the financial services client vertical, which represented 44% of Q4 revenue, we grew revenue 76% in the fourth quarter to $38.7 million.

We grew each of the markets we focus upon this quarter, including insurance, mortgage, credit cards and deposit accounts. This is the second straight quarter in which financial services was our largest client vertical. For all of fiscal year 2010, revenue from the financial services client vertical increased 81% to $143.9 million. It really was a great year in financial services for QuinStreet, and we remain highly enthusiastic about our continued growth prospects across the vertical.

For the education vertical, which represented 42% of Q4 revenue, revenue was $37.3 million, down 5% over the prior year fourth quarter and inclusive of the reduced year-over-year volume from one major client as we have discussed in the past. Excluding that client, our education client vertical grew 15% in the quarter. We provide you that figure to separate the effect of that one client and, thus, avoid any misperception that our education opportunity has diminished.

On a fiscal year basis, total revenue in this vertical was $152.3 million, up 1% over the prior year. We achieved that minimal growth in the face of reduced volume from that one large client of $18.7 million this year as compared to last.

For our client verticals, which include B2B, home services and medical health and which together represented 14% of Q4 revenue, we grew revenue 96% during the quarter to $12.6 million. Each of these client verticals grew on a year-over-year basis in Q4. For the fiscal year, other client vertical revenue increased 31% to $38.7 million. We are investing in these other verticals, as we believe each represents attractive growth markets over the long term, while delivering substantial revenue today.

In the fourth quarter, no customer represented more than 10% of revenue. And we had no 10% customers for the year. We continue to reduce risk through diversification, diversification that reflects our evolution as a clear leader in multiple client verticals.

Moving to the cost portion of the P&L, as a reminder, our cost of revenue represents all of the costs used to produce our measurable marketing results, including both media and personnel costs. We managed to our 20% EBITDA margin annual target, investing in growth initiatives that are classified in both cost of revenue and operating categories. Within that 20%, we have considerable surplus for future growth.

In times -- excuse me -- in times when we are operating at significantly higher EBITDA margins, we invest to develop new media and place extra emphasis and spend on nascent verticals and technology projects. When times are leaner, we invest less and slow our hiring plans.

By doing so, we provide investors consistent profitability, while investing aggressively in growth initiatives that have delivered strong, consistent growth year after year. This strategy has enabled us to grow faster and more consistently than the vast majority of companies in our sector and to build a leadership position in an attractive market, all while maintaining consistent profitability and nice operating cash flow.

Focusing on our fourth quarter cost structure, our cost of revenue was $62.9 million in the fourth fiscal quarter, versus $46.6 million in the year ago quarter. This represents a 29% gross margin, 2% higher than our 27% gross margin last quarter. These are GAAP figures and include intangibles, amortization and stock-based compensation. The two-percentage-point increase is a better result optically.

But remember that this is not a metric that we use to drive operations. Once more, we managed to an EBITDA margin target, and while doing so, invest and expense items classified both in cost of revenue and operating costs. So, while the increase is nice optically, gross margin fluctuations are not meaningful within a fairly broad range.

Moving onto operating costs, product development costs were $5.2 million in the fourth fiscal quarter versus $3.9 million in the year ago quarter. The increase mostly comprised of additional personnel costs. We continue to invest in technology that expands our competitive advantage. And, as you might know, more than a third of our employees are engaged in technical and engineering roles.

Sales and marketing costs were $4.5 million in the fourth fiscal quarter versus $4.1 million in the year ago quarter, with the increase due to incremental stock-based compensation expense. General and administrative costs were $4.4 million in the fourth fiscal quarter versus $3.4 million in the year ago quarter, reflecting increased compliance-related fees and headcount associated with being a public company, as well as corporate development efforts.

It is important to note that we have incorporated the additional public company spending into our operating model, and our annual adjusted EBITDA target of 20% remains the same as it has for eight years now, an indication of the scale we are achieving in the model. Again, we exceeded that target, achieving 22% EBITDA margin for fiscal Q4.

For the year, the OpEx spending decreased from 17% of revenue in fiscal '09 to 16% of revenue in fiscal '10, even with the added cost of being a public company and the incremental stock-based compensation under FAS 123R. After removing stock-based compensation, we see even more improvement with total OpEx spending decreasing from 15% of 2009 revenue to 13% of 2010 revenue. Our business model continues to scale.

Below the EBITDA line item we had one notable item this quarter; a significant gain from the early repurchase of $10 million of seller notes at a discount to their carrying value. That gain was $1.3 million. On average, we retired these notes at a 16% discount rate, which we believe was a good deal for shareholders, given negligible current returns on our cash balances and a marginal after-tax borrowing rate of approximately 2% under our debt facilities.

The weighted average payment due date on those notes was less than one year. So, with the early payment we will forego $1.3 million of cash outlay, while sacrificing perhaps $25,000 in lost interest income.

Moving to taxes, our GAAP tax rate for the year was 44.2%, down slightly from 44.6% in the prior year. For your modeling purposes, a sustainable adjusted effective tax rate is 42% or slightly lower. Note that for Q4 the actual adjusted effective tax rate was 40.1%. These are expected tax rates for a company with our tax structure, which is essentially all domestic. For those of you interested in the details, you will see these computations in the tax rate reconciliation to be included in our forthcoming Form 10-K.

Regarding shares outstanding, as you see in our press release for the quarter, our fully diluted weighted average shares totaled 47.8 million, reflecting the addition of 10 million shares from the IPO. The conservative guidance figure I provided on the last call was 49 million diluted shares, and that is still a good figure to use for the near term.

Our GAAP diluted EPS for the quarter was $0.13. Our adjusted EPS for the quarter was $0.24. Adjusted EPS adds back two items only; stock-based compensation and amortization of intangibles, inclusive of tax effect. I want to point out that the effect of the seller note repurchase was $0.02 and we are pleased to report those capital cost savings.

For our adjusted net income and EPS computations, we plan to continue to limit adjusting items to stock-based compensation and amortization of intangibles. It was a very good quarter from an EPS standpoint in any event, and we are quite pleased with the results.

On the balance sheet, our cash balance at quarter end was $155.8 million, down from $175.3 million in the prior quarter. You can see the details in the cash flow statement in our earnings release. However, at the summary level, we generated $8.5 million in cash from operations. We used $16.2 million for investing activities, primarily acquisition spend that was inclusive of $4.5 million in payment for our only substantial acquisition-related to earn-out. And we used $11.8 million for financing purposes, primarily --

Operator

Pardon me, ladies and gentlemen, you are experiencing technical difficulties. One moment.

Kenneth Hahn - *QuinStreet, Inc. - CFO, Principal Accounting Officer*

My apologies. Apparently they lost our line for a second there. I'll try not to be too repetitive. And I'll assume -- well, let me finish with the end of the last section, which is that it was a very good quarter from an EPS standpoint, and we are quite pleased with those results.

I'll tell you a little bit about cash. And I may abbreviate in case I'm being repetitive. Cash you can see in the press release went from $155.8 million to $175.3 million. You can follow that in the cash flow statement. It was $8.5 million positive cash flow from operations, $16.2 million investing activities, which was essentially acquisitions and $11.8 million for financing purposes, primarily the discounted buyback of the seller notes. And that should catch you up, if I was silent for a little bit there.

Moving onto another portion of the balance sheet, as we expected and as we forecast on our last earnings call, our DSOs rose slightly to 52 days. This is due to an increase in revenue from verticals in which agencies are more prevalent. Agencies tend to be slower payers than our direct relationship clients.

We do not see any incremental collections risk associated with the DSO increase. Again, we forecasted the increase on our last earnings call. And, as you know, our write-offs have been minimal historically. That is a nice benefit of our business, which is providing measurable, cost-effective revenue results to our clients who, of course, do not want to cut off an important revenue channel.

With regard to cash flow metrics, fiscal Q4 normalized free cash flow, which is free cash flow excluding working capital changes, was $11 million, or 12% of revenue. Fiscal Q4 free cash flow was $7.6 million, or 8% of our quarterly revenue, slightly below our historic annual range of 11% to 13% of revenue due to the DSO increase, but well within the typical quarterly variances versus those annual ranges.

Aside from taxes, the vast majority of our EBITDA drops down to free cash flow. The business does not require large amounts of capital expenditures. Cash flow from operations was $8.5 million, as I mentioned before for the quarter and $38.5 million for the year, as compared to $32.6 million last year. That's an 18% increase.

I encourage you to review the trended results and the detailed computations of historical operating cash flow, free cash flow and normalized free cash flow in the supplemental data sheets that we provide on the front page of our investor relations section of our website, and there's a link to that included in the earnings release. We want you to understand the cash-generating capacity of our model.

To summarize before opening up for Q&A, our historical performance for many years has demonstrated strong and consistent revenue growth, exceeding growth rates for the vast majority of companies in our sector. Our profitability, which we measure by adjusted EBITDA, has demonstrated remarkable consistency, both historically and currently, inclusive of any perceived regulatory complications.

This has been the direct result of the EBITDA surplus that we deploy to fund growth initiatives, that have created and now enhance our leadership in online measurable marketing. In each of our two quarters as a public company, we have extended these long-term performance successes, and we plan and forecast to continue that track record in our present environment.

Regarding our financial plan we expect to continue to deliver on our operating results, generate significant cash from operations, continue to expand upon our leadership position and growth potential in a large but still early-stage growth market and, thus, continue to create shareholder value.

With that, I'll turn the call to the operator who will moderate Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

And our first question comes from the line of Imran Khan with JPMorgan. Please, go ahead.

Imran Khan - *JPMorgan Chase & Co. - Analyst*

Yes, hello. Thank you very much for taking my questions. A couple of questions, first, starting with the financial services. So, the growth rate was 76% year-over-year. I was trying to get a better sense, if you can give us some sense, is it -- what percentage organic or if there is any acquisition related growth there? If you can help us with that, that'll be very helpful.

And, secondly, on the education side of the business, if my math is correct, Ken, I think education -- I think you talked about 15% growth, excluding DeVry. I think last quarter it was low 20s, 23% or so. So, there's some deceleration. Is it because of timing or a comp issue, or any kind of color would be helpful?

And, third, can you talk a little bit about if there is any profitability difference between finance and education vertical? It seems like your EBITDA margins came in better than expected. Is that because of the timing of the investment? How should we think about the margins of the Company as your finance continues to become a bigger part of the business? Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. Thank you, Imran. Let me take a cut at those three first, and then Ken can add on as he sees fit, and make sure we answer your question.

In terms of the growth in financial services, it was predominantly organic -- very little actual growth other than organic growth in financial services in the quarter. The acquisitions that we've made in financial services of late have primarily been media assets that we restructured into an -- to better monetize for ourselves.

So, I would say of the 76% growth -- well north of the ratio of the 22% to 31% for the Company overall, which says there's probably 80% to 90% organic growth. We continue to see good client demand to increase the capacity of the media that we have and increase the match rates and coverage of that media with clients. So, financial services just continues to be a story of great client demand and strong execution, and relatively early stage in an extraordinarily large market.

Education growth -- I wouldn't read too much into the 21% or 20% I guess versus 15% growth ex the large client in the quarter. We continue to execute well. There's a lot of momentum. That kind of fluctuation we're going to see up and down quarter to quarter on an ongoing basis because it depends on what happens with media, where we are in our execution of programs and how good a job we do getting budget at a particular time and sometimes client-specific issues.

But, we're comfortable and continue to see strong enough demand to meet well into the double digits of education growth, ex the large client effect. And, again, that -- we won't see that masking effect anymore after November. But I -- it was -- there was not a significant deceleration, it's just normal quarterly fluctuations.

And, as I indicated, we've never seen stronger demand in education. Our task is to continue to improve our media execution and technology implementations to get the best yield out of that media so we can deliver on the demand. And the faster we do that the faster we'll grow in education because we are not demand-constrained. And we have a lot of excellent programs in place, initiatives underway, and I'm quite confident that those are going to deliver good results.

Your third question had to do with the margin improvement I guess of the gross margin line as well as the EBITDA line. And, even given the continued heavy mix of financial services. I think the main messaging there is that -- is one of understanding what Ken talked about in terms of financial model. And I know you understand that we do this, Imran.

We choose to invest aggressively in new initiatives, whether they be media -- developing media from low profit to high profit because it takes -- sometimes takes a while for us to develop it, whether it be client programs or whether it be new technologies. And the mix of owned-and-operated in financial services is lower than education. That is a factor.

But, that is not nearly as big a factor in our economic results or financial results quarter to quarter, as are the decisions we make about how aggressively to spend on the development of media clients and technology in particular quarter depending on how we're seeing the business perform.

So, I would say that you could expect that we could do even better than we did this quarter. And so, you might expect to see some quarter where we do worse, though I don't think you should expect us to disappoint versus a 20% annual EBITDA margin target, if that makes sense to you -- but we have been.

And let me add one other point on that because your question begs it. We have -- we continue to very effectively, increase margin in financial services, both in terms of the historic distribution channel because we're doing a better job of yielding and in terms of adding more organic owned-and-operated properties.

I think we tripled owned-and-operated as a portion of that -- of media, albeit on a relatively -- somewhat relatively low base versus education the last fiscal year. And we continue -- and Insurance.com will be a contributor to continuing that good progress there.

Imran Khan - *JPMorgan Chase & Co. - Analyst*

Great. Thank you very much.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

You bet.

Operator

Thank you.

(Operator Instructions)

And our next question comes from the line of John Blackledge with Credit Suisse. Please, go ahead.

John Blackledge - *Credit Suisse - Analyst*

Thanks. Thanks for taking the question. I appreciate it. So, just on the education segment, ex-DeVry in fiscal '10 it was up high-teens, 19%. Is that growth sustainable in fiscal '11 just given the regulatory headwinds that I know you guys have talked about? But is that growth sustainable in fiscal '11 and going forward? And how much visibility do you have, Doug, on the education side over the next couple quarters? Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. Thanks, John. We think it is. I mean, we -- I just went through a review with our Education business I think about a week and a half ago, with the latest information we had from clients as they had given us indications of budgets and our own estimations of what we can do on the media side.

And we do believe that education can grow in the 15% to 20% range on an ongoing basis for any number of years to come, ex the large client effect, and we particularly see that this coming year and in the coming quarter. So, I would say that we -- the indications we have from clients combined with the progress we're making on the media side would indicate to me that that is sustainable.

In terms of visibility, our visibility is always pretty good. Clients tend to give us a several month outlook, and then they vary within the month depending on how -- and sometimes within the quarter on a longer term basis, depending on how -- what their spending is working for them.

But, yes, we have good visibility as we always have. And that's -- again, that's one of the reasons we have such great control of margins. But I would say good visibility and indications from clients with internal assessments indicate even given regulatory effects -- what we actually looked at was a three-year plan a week and a half ago -- that we believe we can continue to deliver those kind of growth rates. And, of course, it won't be masked by the large client effect once we pass November.

John Blackledge - *Credit Suisse - Analyst*

That's great. Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Sure.

Operator

Thank you. Our next question comes from the line of Bill Warmington with Raymond James & Associates. Please, go ahead.

Bill Warmington - *Raymond James & Associates - Analyst*

Good afternoon, and congratulations, on a strong quarter and the acquisition.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Thank you, Bill.

Bill Warmington - *Raymond James & Associates - Analyst*

I wanted to know if you could give some breakdown on the educational revenue by type of program.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

You mean, as in culinary versus MBA, things like that?

Bill Warmington - *Raymond James & Associates - Analyst*

Exactly. It can -- some sort of general sense --

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes, we don't --. Yes, let me give you a general sense. But let me -- I don't have in front of me the actual breakdown. And that breakdown varies month to month but within a very narrow range, depending on where we're focusing of course. We can affect it based on where we put our focus. And, as I said, we are putting our focus more and more on areas that we know are not as impacted by neg reg, in particular gainful employment.

Let me answer the question this way generally. When we went through the assessment recently of the business, and we looked at the exposure of the business to the gainful employment provisions in particular, we saw that the portion of our business that would fall into the upper-left-hand kind of red band that the Department of Education puts out -- we actually, by the way, went out, and we sourced all the data on these programs, both in the clients for public sources, as well as from the Bureau of Labor Statistics to do our own independent analysis of where the likely exposure would be for this gainful employment provision.

As we went through that, the programs that were most impacted represented anywhere from I think it was 3% to 5% of our total revenue in education. And then there was -- in the mid-band of places that could be restricted, there was -- and then the completely safe bands are the other two. I don't remember the mix between those two, but we were very heavily and well within the fairways of those two with the clients.

So, it's a -- we've done the analysis. We tend to -- I think what I would not assume about us is that we have an overly heavy exposure relative to anybody else or even relative to the industry to the program areas that are most effected by gainful employment in particular or -- and incentive comp cuts across everything, so that's a different topic.

But we just don't see huge material impact and that's before -- we and our clients work very aggressively to shift the mix. I can tell you that we've been working with a number of clients lately to very aggressively shift the mix away from programs most exposed and to change the fundamentals of those programs to be more compliant with any new regulations. And, of course, the actual regulations don't take effect until 2012 and 2013.

But, prior to that, again, we saw in the range of, again, 3% to 5% -- I think, if we were very aggressive in our interpretation, I think it got as high as almost 10%. But then net of that we still saw 15% to 20% growth in education as our target and as our expected delivery at a minimum over the next few years.

Bill Warmington - *Raymond James & Associates - Analyst*

And on the other category you saw some very good growth. I just want to know if you could give a little detail in terms of if you were seeing a lot of that growth coming out of home renovation, which was very strong last quarter, medical health, B2B -- if you can get a little detail there.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. I mean, the most detail I think -- we don't break those out, of course, but I can tell you they all grew strongly. We grew well in B2B, we grew very well in medical and we grew well in home services. So, we did not have a -- we didn't have a clunker in that bunch. They're all earlier stage, of course, and we're working hard to get them in a position where we can scale them or grow them at even bigger scale faster. And we think we can.

But those are all good businesses. And I would point out, as we said in the prepared remarks, that we're now running over $50 million a year in revenue from those three verticals. So, while they're early stage in growth -- future growth vehicles for us, they are not by any measure insignificant businesses, particularly for an Internet marketing and media company by -- there aren't that many Internet marketing and media that are that big.

Bill Warmington - *Raymond James & Associates - Analyst*

And then a final question on Insurance.com. I just wanted to ask you what the valuation was there either in terms of a revenue band or EBITDA band and how we should think about modeling that into the results.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. And that's -- it's a great question. The problem with that is that they ran it as an agency and we, of course, won't run it as an agency. So, we really didn't buy any revenue in this acquisition. We bought media that fills into our client demand and turns into revenue of a completely different type than they were generating.

I can tell you that the early indications are that we are way ahead of the investment model. And as I think as you know our investment model is pretty conservative and pretty aggressive about required growth rates. And our average cash-on-cash return for media acquisitions to this -- or for acquisitions throughout the Company's history and to this past month was about 35%.

It seems like given the -- right now -- and the investment model would show Insurance.com delivering somewhere in the 20% to 30% if we hit our conservative investment model, I believe. And, as it turns out, we are in the first month already exceeding that conservative investment model by very, very dramatic margins because we've seen -- we assumed a loss of a lot of affiliate traffic and revenue that they held and client budgets for leads that were putting through the agency.

And, in fact, we've lost very little of that revenue, replaced it with our own programs and our own lead generation capability. So, we are very excited. I don't know how to model it for you because, again, it's a media property and it shows up more as revenue and margin than it does --. We don't buy -- again, we don't generally buy revenue. We generally buy media, and then we turn it into revenue.

So, I would just say that what you're going -- what you should see from the acquisition is an expansion of our media capabilities and footprint in financial services insurance in particular, the opportunity and the potential to expand media margins and gross margins because we have owned-and-operated traffic.

And we'll use that to invest -- turn around and just reinvest in the business and probably grow more of the other channels and grow more revenue with clients and probably invest in other properties to make sure we fill out the segment map. And we're very early in that process, in financial services, even as we are in, believe it or not, education.

Bill Warmington - *Raymond James & Associates - Analyst*

Excellent. Well, thank you very much.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Thank you, Bill.

Kenneth Hahn - *QuinStreet, Inc. - CFO, Principal Accounting Officer*

Thanks, Bill.

Operator

Thank you. And our next question comes from the line of Justin Post with Bank of America. Please, go ahead.

Justin Post - *Bank of America - Analyst*

Thank you. My one question is on the education vertical. You mentioned that the regulatory environment actually might be favorable, and you said trends are getting better. Would you expect the acceleration in the revenue growth for that group? And, again, why do you think it decelerated in the last quarter? Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Thanks, Justin. The trends are better because what we're seeing is clients turning to us and wanting to reduce their exposure to programs or providers that they think are either unable to comply with a stricter regulatory framework or unable to deliver highly qualified and highly performing in converting inquiries.

And we talked about the rationale for that latter point before. And that is that, if an inquiry is less qualified, it takes a lot more sales effort to close it. If it takes a lot more sales effort to close it and you're diminishing incentive compensation or the ability to sell hard, then that lead is worth less.

So, the clients are looking ahead and doing the appropriate -- an appropriate assessment of their channel. So, we're benefiting from that in the short run as clients make those moves. And, again, we've -- we have had -- we've probably never in the history of the Company had this rapid a surge in demand from clients.

And our job now is to go figure out how to meet that demand from a media development and yielding standpoint. But that's what's driving it, and that's what they're telling us. And the indications are extraordinarily good, including from some large clients who have historically reduced spend with us, interestingly.

So, I'd say the -- as I said in answer to I think it was John or Bill who asked about -- I think it was John that asked about education deceleration. I wouldn't see it as a deceleration, I would see that as a typical quarter-to-quarter fluctuation driven more by some client-specific stuff, some media-specific stuff than anything else.

But, I think the range that we'd been in on average for the past year is a range that we think we can continue to hit on net of the effects that we are seeing and that we are anticipating from neg reg.

Justin Post - *Bank of America - Analyst*

Okay. And the Insurance.com acquisition, I know you've talked through the numbers. Between that and -- is there any other acquisitions you think will be helping growth in 2011 as you -- as enter the year, anything left over from fiscal '10 that'll be helping the growth rate? And I don't know if you can give us a revenue benefit from the deal. But any thoughts on the acquisition contribution next year? Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. The interesting thing is that there are acquisitions we've made over the past three or four years, all of which will be contributing to growth next year as we continue to expand those. We saw very strong growth in organic traffic to organic media properties last year and we continue to see that growth, and we saw that going into this year.

And those platforms were mostly acquired. Our job is to bring them in, better monetize them and then invest very aggressively in turning them into even stronger media properties so they can grow their traffic. And we're seeing great success in doing that, and that's all contributing to growth. Insurance.com certainly is contributing to growth because it gives us that much more traffic to monetize and that much more margin that we can spend developing other sources of media.

I can't put a -- I can't hang a number on it because, again, it's media not revenue, but I can tell you it is meaningful. Whether or not it's material is a different question, but it's certainly meaningful. If you want to do a strict materiality standard where I guess 10% -- I don't know that it's going to come anywhere near 10% of our insurance revenue, although over time we certainly hope that we can grow it, as we have so many other media properties.

Some notable properties are significantly contributing to our growth lately it's -- acquired over the past few years, certainly Internet.com on the B2B technology side, certainly Insurance.com and Insure.com in financial services, card ratings and credit cards, money rates and deposit accounts.

Any number of blog sites that we now own in financial services, a number of other segment-oriented education properties, including CityTownInfo, which is a very strong local traffic site that's doing very well for us with local schools and colleges, which has been an emphasis of late as we continue to broaden out our education exposure, a number of sites including very specialized sites in home services, including [Vinylsidingzone], and others that are doing very well in especially niches of home services.

In medical, we continue to do well in diabetes, and DiabetesMonitor was our entry point there. And elder care, and ElderCarelink was our acquisition and entry point there a few -- a couple years ago.

So, I'd say across the board we're seeing contribution from and leverage from acquisitions that are helping us to not only enter verticals more effectively, but grow our media footprint and then grow the media -- grow the traffic on those media properties as well as the monetization and take that leverage and turn it into more spending on more new programs and media, more new clients and on more technology deployment. So, it's a -- they are an incredibly important part of our virtuous cycle.

I would also point out -- and I don't think we get enough credit for this maybe. But, as we buy these media properties, we do grow them over time. The best performing returns on acquisitions in the Company are the oldest media properties we bought.

So, let's not assume that QuinStreet buys these media properties, wrings the traffic out and moves onto the next one. We are building one of the most powerful, one of the most attractive, one of the most important targeted media portfolios on the Internet, and we continue to do that. And we are building and growing it.

It's an important part of our long-term strategy. As we've said, it allows us to have better control of margin and quality. It gives us better leverage in the business model of course, particularly as the amortization goes by and as we get to scale on our media operations. And it gives us a very, very important appreciating asset base of targeted media, which I think is the most important media in the digital age going forward.

Justin Post - *Bank of America - Analyst*

Okay. And last one for me is gross margin was up a positive -- by trend versus last quarter in our model. Would you say that's -- I know you addressed it a little bit, but helped by the maturity by some of your verticals as you've been able to build out the platforms? Are you seeing some economies of scale there?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

We are seeing economies of scale. But, again, it's more a choice of how much we're -- of how many opportunities we're seeing to invest in new media. And, if we invest in new media, that's going to show up in a decrement to the gross margin. Because usually when I say invest in new media that means we are buying traffic or working to yield traffic in ways that are, as of yet, immature and sub-scale and, therefore, sub-performing.

But we do that because we -- that's how we grow the business. Our business tends to grow through the development and deployment of media. We -- 85%, 90% of the time in our Company's history we have been media not client-constrained. That is the case in spades right now.

And so, again, I wouldn't read too much into gross margin line movement other than we certainly have a -- we continue to have a lot of surplus in the gross margin line and in the operating expenses. And we are able to use that surplus to very aggressively invest in the future. Again, 33% of our employees are engineers. Very few of those folks are directly associated with revenue-generation, but they are directly associated with the deployment and development of technologies that are going to make us even better next year and the year after.

So, I'd say that the -- what you can read into that is a lot of surplus, a lot of flexibility, continued control of the business model and continued ability, therefore, to invest aggressively in the future, which we think will be in the best interests of our shareholders. And I think, as we pointed out, we've done quite well for the last decade or so.

Justin Post - *Bank of America - Analyst*

Great. Thanks, Doug.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Sure. Thank you, Justin.

Operator

Thank you. And our next question comes from the line of Mark May with Needham & Company. Please, go ahead.

Kevin Allen - *Needham & Company - Analyst*

Yes. Hi. This is Kevin Allen with Needham. Can you give us some more color on how the other non-insurance categories are doing within the financial services segment, and what the key drivers are there? Thanks.

Unidentified Company Representative

Sure. And did you say your name is Kevin?

Kevin Allen - *Needham & Company - Analyst*

Yes, Kevin Allen.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Sure, Kevin. In financial services, the verticals in which we focus are insurance, deposit accounts, credit cards and mortgage. And the growth -- I think that all of those verticals -- well, I know all of those verticals grew very strongly.

I believe the fastest growing vertical last year was actually mortgage for us, where we took considerable share just through outstanding execution by that team and that leadership group. There are components of insurance that grew pretty close to mortgage. And then we had very strong double-digit growth in both credit cards and deposit accounts, albeit on a little smaller, earlier base there, but still many millions of dollars a year.

What's driving that growth is, as I said, we're just earlier there. It's penetration. We are penetrating the client budgets. We are growing our media footprint, investing in new media capabilities, which give us the ability to get more client budget which helps to fund more investment and more media. And we are just earlier in a -- in that virtuous cycle in financial services and, therefore, seeing great growth across the board.

And, recall, that is a very -- I mean, financial services by our estimate is some five times as big in market potential as education, which, of course, we shared on the road show in the -- in the road show documentation. So, I think it's earlier. I think we're doing a good job of execution and executing in investing and, again, it's an extraordinarily big market. So, we're -- we continue to be very excited about what's going on in financial services.

Kevin Allen - *Needham & Company - Analyst*

That's great. Thank you.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Sure.

Operator

Thank you. And our next question comes from the line of Jordan Rohan with Stifel Nicolaus. Please, go ahead.

Jordan Rohan - *Stifel Nicolaus - Analyst*

Thank you so much. So, I've got a couple of questions for you.

THOMSON REUTERS

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Go ahead, Jordan.

Jordan Rohan - *Stifel Nicolaus - Analyst*

First question, maybe this is simplistic. And please tell me where I'm missing it. But in the case where you have such an overabundance of demand from the [EDU] sector, wouldn't you be able to increase prices for leads in the EDU space? And, specifically, why wouldn't that lead immediately to an acceleration of revenue, which would be a little different than the trends we've seen ex-DeVry?

And, secondly, how can you know how your -- how the students that matriculate due to leads generated on your sites perform when it comes to loan default rates, student persistence and other things that matter in the new, more regulated world? What statistics do you have that you can share with us that would make me -- make us feel better that it's not just that budgets haven't hit you yet, but that they're not going to hit you, in fact, and they actually go your way? Thank you very much.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Sure. In terms of increase in prices, we are making good money in education. And I think we're growing partly because we deliver such great value to our clients. The notion that by increasing prices we somehow grow more rapidly misses that it -- that there's a demand curve on the side of the clients where part of the reason we have so much demand is that the performance is not just a conversion of the inquiries but the price paid, and so the all-in student enrollment cost.

So, we will continue to seek to deliver great value to the clients. We make great margin on that business or at least acceptable, good margin on that business. And we think growing share is still more important than wringing out margin for the foreseeable future. And we think that leverage comes from scale and share. And our Education business has shown that over and over again. So, that's how we think about it.

We certainly have conversations with clients all the time about their needs and their demands, and we share with them how they can get more volume in certain programs very often by being more targeted in their pricing with us so they compete -- can compete for the most attractive leads and the most attractive programs. And that's usually how QuinStreet gets a, quote, unquote, price increase. We don't do across the board price increases.

We're very client-driven. We have conversations with clients about what they need. We have conversations with how we are performing. And we work with them to continue to improve that. And sometimes that includes a price increase because they want more volume of programs that will cost us more to deliver or that are more competitive for them. And that's a -- and it leads to a pretty healthy ongoing growth relationship, I think, as we have shown. So, that's how we think about the price increase question.

In terms of performance of our inquiries, we get that information from clients. The clients share with us -- not all of them, but many of them -- on a very detailed basis the performance of inquiries that we sell to them as part of their ongoing feedback and assessment of the overall channel. They don't price based on that, and they don't pay us for that, but they do share with us that information so that we and they can together continue to improve the performance of the channel for them.

And that's the -- and we have gotten -- and most of the clients have not historically -- and this is your question -- have not historically tracked that performance all the way through persistence and default rates. They're doing the work now to try to create that and re-create that; some have done some of that work already. And the feedback, not surprisingly, has been that consistent with our stronger performance on the enrollment side we're seeing stronger performance on the persistence side.

And that shouldn't be a surprise to anybody. Right? We -- if you have a better informed student that comes in on a non-incentivized basis, and they sign up for programs in that way, not surprisingly, they're much more likely to not only enroll if it's a good fit -- we've done what we should have done and matched them well, but they're more likely to be in the right program and to stay in that program.

So, we continue to get that from clients. Some of the largest clients are doing a good job of pushing that analysis deeper, and early results are very consistent with past results. And I think that's -- the most important metric that is being reflected in is a dramatic increase in ask on the part of the clients for volume from QuinStreet.

Jordan Rohan - *Stifel Nicolaus - Analyst*

Last question is on Insurance.com. If you completely change the Company's business model and Insurance.com before it was sold to you changes the -- eliminates the headcount for the agency model, aren't you just really buying the domain name?

If not, can you tell me about the natural traffic and affiliate relationships that existed -- why they would continue to go to you if it seems like the purpose -- the reason for being for Insurance.com has changed?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. We -- not unlike Insure.com and many other properties we've acquired before, it is -- and you know this, Jordan. You've been around the Internet long enough. This is not a domain name. Right? A domain name implies that there's not attached media attracting direct and organic traffic based on content.

This site attracts primarily direct and organic traffic based on content, content that they've done a good job of building over more than a decade, I believe, in terms of their existence. They were taking that traffic and converting it primarily through their agents in their agency into policies and getting paid for policy closures from the carriers and then getting a residual in the form of a PIF, they call it in the insurance business, over time.

We've taken that same content, and we will improve on that content and that media because we are much more of a media company than they were. But we'll take what they already have. As I said, we're pleased with what they already have, we just think we can do even more.

We're going to take that, and we're going to monetize it not through our own agents, but by matching it with the products and offerings of our insurance clients, either in the form of a qualified lead or a qualified click. And, again, we've done that with a number of other properties historically, the latest of which was Insure.com, which we acquired from a -- you may recall -- public company six, eight months ago and did the exact same thing. And that has been an extraordinarily strongly performing property for us.

So, we're interested in the media, in the content, in the traffic, attracted thereof, as we always are. And we're interested in it as a platform for us to do an even better job of growing that media and, of course, of monetizing it with our model.

And I think the proof is in the pudding in terms of who has got a better business model. It's -- you get a lot more yield on that media if you can serve a lot of clients, and you can segment effectively and still have -- and have coverage from a lot of clients than you do trying to do it on your own account, which was a business model that hasn't worked so well.

Jordan Rohan - *Stifel Nicolaus - Analyst*

Thank you very much.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

You bet.

Operator

Thank you.

(Operator Instructions)

And our next question comes from the line of Jon Salinas with Marble Arch. Please, go ahead.

Jon Salinas - *Marble Arch - Analyst*

Hello. How are you? Thanks for taking my question.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Good.

Jon Salinas - *Marble Arch - Analyst*

According to the department in the latest RPM, it looks like about two-thirds of the for-profit schools they estimate will have less than a 45% repayment rate, which puts them on the restricted status, thereby capping their enrollment and likely causing a reduction from where it currently stands. How have you evaluated that risk? And what type of impact do you think that reduction in enrollment can have on lead-gen spend?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Yes. We've evaluated it by working with the various clients to take a look at their programs and their plans and their outlook. And I think the thing that -- there are a couple things I would point out. One is that, again, that is without any adjustment by the clients. Clients are not surprisingly very aggressively going back and looking at their mix of programs and offerings and value and restructuring them to make sure that they improve the performance.

We think that the likely effect as we assess it is a likely slower growth rate in the for-profit, post-secondary industry. And we think there's likely to be surplus taken out of the for-profit industry business model.

Jon Salinas - *Marble Arch - Analyst*

Right. Just to be clear, it looks like they have to cap enrollment at the trailing three-year average, which would imply a slowdown from where it currently stands. Do you think that will filter through to a reduction in the purchase of lead-gens in the EDU space?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

I think that as the growth rate of the industry slows and as they take surplus out of their model and have to be more efficient they're gong to have to spend more effectively on marketing. And there's an awful lot of marketing they're going to spend more effectively on before they get to us.

Jon Salinas - *Marble Arch - Analyst*

Okay. Thanks.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Do I think -- I mean, what I've pointed out before is that they are -- what we're seeing from them and what they're telling us and what they're doing I think quite rationally is moving spend from less compliant and less effective programs and less compliant programs to us, folks like us, who they know can be more compliant and who they know can deliver better matched inquiries that can get -- where they can measurably get better marketing results. So, that's the effect we're seeing. It's not surprising to me.

I think the question is, is that -- the question is for us -- is more less one of how will it affect lead-gen, more one of how will it affect QuinStreet. And what we're seeing and hearing from the clients because they need to be more effective is that they want to do more with QuinStreet. And that's not surprising if you understand what we do and how we do it in a differentiated way.

Jon Salinas - *Marble Arch - Analyst*

Got it. That's very helpful. Thank you. And in terms of acquisitions, it looks like they're running about 100% to 200% of free cash flow over the last couple years. Should we expect to continue to see you reinvest free cash flow in the business via acquisitions?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

You should expect us to continue to acquire if we can continue to find attractive businesses. Last year we didn't spend nearly as much as -- or I guess 2009 we didn't spend nearly as much as did in 2010. It's really driven by what we find. We don't -- we aggressively look for acquisitions that we believe fit our long-term opportunity.

And we make them when they do and we think the returns to the shareholders over the long term are great, and we don't if they're not. And we pass on a lot of acquisitions. We passed on some pretty large ones lately that others have done because we didn't see those aligning with either maybe our long-term priorities or they weren't getting done at prices we were willing to pay.

But you should expect us to acquire the rate of acquisition in terms of dollars versus free cash flow. We don't really think of it that way, we really think of it on an ROIC basis and we do a cash flow model on every deal. But I would say that this past year hopefully is indicative of the quality and the quantity we'll be able to find this coming year. We certainly hope so.

Jon Salinas - *Marble Arch - Analyst*

Great. Thanks. One final question. What was the almost $16 million in acquisitions this quarter spent on?

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

Primarily two larger education acquisitions. One I mentioned, CityTownInfo, which was -- is a great site for -- particularly for local matching of colleges. Another one -- and that was about $5 million.

Another education property that's been in our publisher group for a long time that's more geared to not local but more programmatic matching -- they're a strong-performing property where the publisher was going to get out of the business. We were able to pick that up. And it's a very attractive property. GetDegrees.com is the lead website on that -- in that portfolio.

And then the third component -- these three add up to almost all of the $16 million. The third component was an earn-out and that was a $4.5 million payment to the SureHits previous owners. I think it was the third or four earn-out payments, the last one coming next year.

Jon Salinas - *Marble Arch - Analyst*

Got it. Thank you very much.

Douglas Valenti - *QuinStreet, Inc. - CEO, Chairman*

You bet.

Operator

Thank you. Ladies and gentlemen, this concludes the QuinStreet Fourth Quarter and Fiscal Year 2010 Financial Results Conference Call. This conference will be available for replay today through August 16th at midnight Pacific Standard Time. You may access the replay system at any time by dialing 303-590-3030 or 1-800-406-7325, and entering the access code of 4328774. Thank you for your participation. You may now disconnect.
