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EarthLink, Inc. (NASDAQ: ELNK)

Update: Renegotiations with Sprint and Equal Access with AOL
Short and Intermediate term BUY

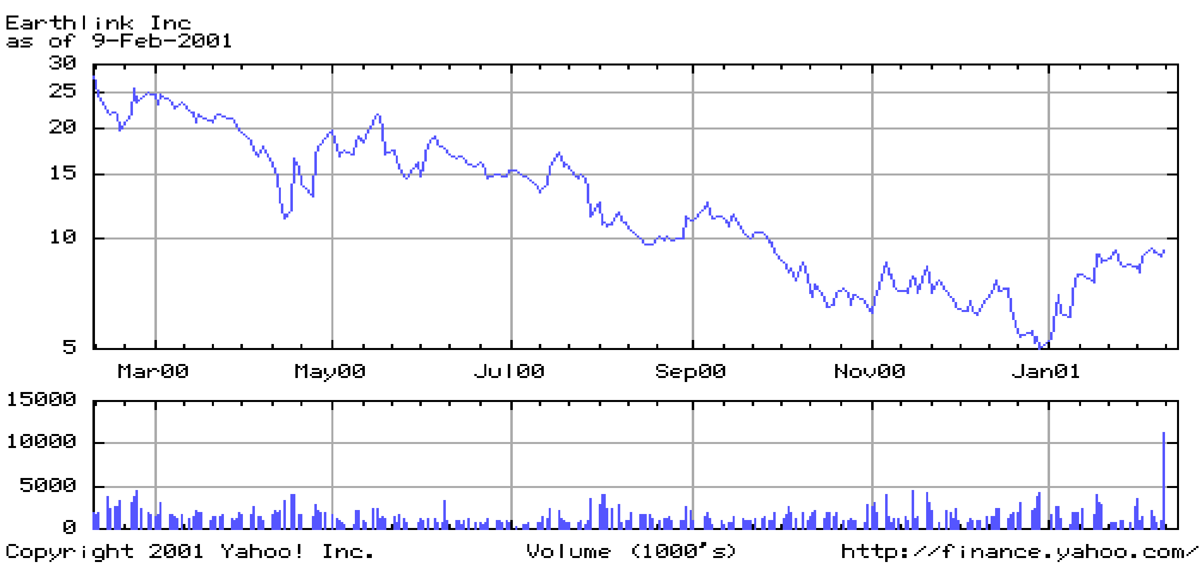
February 15, 2001

KEY CONSIDERATIONS

- Beats Q4(00) Street estimates by 11 cents with a reported loss of 40 cents a share before acquisition-related costs.
- Deal realignment frees EarthLink's brand name on investor and partner front while maintaining business relations with Sprint
- Paradigm shift in growth strategy to broadband/DSL and wireless access arena as cost-effective growth in narrowband stalls
- Equal access' deal with AOL Time Warner to help spur broadband/DSL growth in 2001
- EarthLink a 'bull's-eye-target' for acquisition by Microsoft or AT&T
- Expected to turn EBITDA positive by 2001-year end. $ 675 m, a sound liquidity cushion pending generation of positive free cash flows
- Expect a 30% to 95% annual and 8% to 19 % quarterly return

Recent Price	$8.97
52WK Low	$4.75
52WK High	$49.75
P/E	N/A
P/Book	0.91
P/Sales	1.10
Market Capitalization	$1,165 M
Shares Outstanding	$129.92 M
Float	$66.3 M
Daily Volume (3-month Average)	N/A
EPS	
1998A	($.665)
1999A	($1.653)
2000A	($0.40)
Current Ratio	3.09
Total Debt to Equity	0.03
LT Debt to Equity	0.01

ONE-YEAR PRICE AND VOLUME GRAPH



This report was prepared by Aly Iman and David R. Rivas, Ph.D.

COMPANY UPDATE

1. SPRINT-EARTHLINK ALLIANCE

EarthLink has updated the terms of alliance with Sprint dating from 1998 that had given Sprint exclusive governing terms. We agree with the notion that this will help increase brand clarity boosting EarthLink 's market share in broadband and, by dispelling the image of Sprint as the defacto owner of EarthLink, enhance the maneuvering capacity of the management.

At the time of commencement of the deal with Sprint in 1998, EarthLink gained the backing of a powerful brand name and leveraged this to co-brand its services, access back-up cash resources and have a guaranteed customer base. We believe that the need to update the agreement was appropriate as the move places EarthLink in a strategic position in the ISP market to take stock of consolidation trends, conceivable paradigm-shift towards broadband and wireless regime, and maintain the high customer services standard that EarthLink has reputedly earned.

Deal realignment with Sprint increases EarthLink's facility to make new strategic partners without compromising its business relationship with Sprint for Sprint-specific products. We believe EarthLink becomes a more accessible marketing partner and a likely takeover candidate by AT&T and Microsoft Network (MSN). The latter has discontinued with its 400-dollar rebate speculating merger intentions with an ISP. As the second largest ISP, we believe EarthLink to be, what we describe as, a 'bull's-eye-acquisition-target' in the aftermath of the revision in status quo of industry players prompted by the AOL Time Warner merger. The only potential drawback from redrafting of the deal with Sprint is that the back-up credit facility may be removed. However, EarthLinlk has a strong cash position $ 675 million, a figure we believe good enough to carry the Company into a positive EBITDA position by Q4 of 2001. Hence, we do not expect non-availability of Sprint's line of credit to pose a threat.

2. AOL TIME WARNER UPDATE - EARTHLINK GETS 'EQUAL ACCESS'

EarthLink recently sealed a deal with AOL Time Warner to be the first new ISP to gain access to RoadRunner, the broadband service currently offered by AOL. The deal will allow EarthLink to provide high speed Internet access over Time Warner's cable pipeline last year as the Internet media giant tried to ease regulators' concerns on monopolizing open access. With the deal, EarthLink joins BellSouth Corp., ExciteAtHome Corp. and AOL as one of the top player with the potential to tap voluminous customers in high-speed broadband arena.

Open access as enunciated in the ruling of the AOL Time Warner merger, allows ISP to own customers alone and not distribution pipes. However, we believe that the ruling illustrates the notion that the field would have become unfair had open access been disallowed. This, to us, is evidence of synergies possible in merging ISP business (customers) with media and telecommunications (distribution channel). We, therefore, expect small ISPs to find it tough going and subject to acquisition by bigger players. Such acquirers could be infrastructure, cable or other ISPs.

In such a reinforcement of consolidation paradigm, we regard AT&T and Microsoft as potential buyers of EarthLink as we believe that they would benefit strongly from EarthLink's second largest customer base, infrastructure, customer-oriented reputation, management and employees. At the stretch of imagination, we agree with speculation that Yahoo may turn out to be a potential buyer as, we feel that, it may want to undo the singularity of its revenue model that is based primarily on advertising alone.

3. ITC SERVICES CO SELLS STAKE IN EARTHLINK

ITC Service Co., one of the shareholders of EarthLink, recently sold its stake worth 10.6 million shares of EarthLink's common stock or approximately $ 97 million. As details of the information pertaining to the sell off has not been released, it is difficult to assess if this is a material change.

INDUSTRY TRENDS

The current (US) dialup base comprises AOL Time Warner (27 million customers), EarthLink (4.8 million), Microsoft Network (3 million), Prodigy and other free ISPs (5 million).

Industry demand estimates hover around 100 million consumer households in US. A 60 to 70 % expected penetration rate by 2003, leaves an untapped market of approximately 65 million households. There is also a market for small businesses estimated to be around 10 million in US. However, small businesses are more inclined to demand a broadband solution with hosting and commerce suite applications.

Prima facie, these industry details imply that demand-oriented growth drivers for ISPs, while waning, will remain robust for the next couple of years. This is true especially of demand for broadband/DSL access. However, with the distinct scale advantage of the Goliath in the field AOL Time Warner, EarthLink has decided to derive growth from acquisitions, and now, from migration of its dialup base into broadband. We expect these trends to continue pending a completion of first round consolidation in the industry.

With 1st Up and Spinway closed, the demise of free-access model has been etched. This is inline with our assessment that Internet access is shaping up to be a necessity rather than a luxury. We corroborate our reading by observing that ISPs are increasingly required to provide an upgrading provision of broadband access to households. At best, we expect the free-access model to be revised by a half free-half pay model. In 2001, we also expect more cable announcements, faster DSL deployment, economies of scale and demise of more of the remaining free ISPs.

In the US, we expect immediate growth in cable induced DSL and an increased focus on developments of wireless DSL. But demand for latter is uncertain and for narrowband on the decline. All factors, at present, induce consolidation. Partnerships with cable networks helps access-network externalities. Stifling of narrowband leading to increasing acquisition costs will help spur economies of scale for companies planning market share expansion in a tougher environment. The profit margins in wireless broadband could improve in the future on account of the technology's inherent advantage of providing infrastructure-free access. However, wireless, being a new technology, requires higher R&D expenditures. This induces strategic partnerships to help align technical competence.

As the cost of acquiring dial-ups subscribers rise and the US market matures, more ISPs are focusing on broadband because it promises to be a deeper source of revenues. Further, faced with a behemoth like AOL, rivals are switching strategy to growth-oriented broadband services. We, therefore, regard it important for ISPs to possess the capacity to upgrade their dialup base into broadband. As this is an infrastructure-oriented transition, we expect more, as we call it, first-round consolidation. Over time, as the demand for ISPs in US tapers off, ISPs will increasingly need to diversify growth outside US markets in, what we label as, a second-round of consolidation. We expect consolidation to be guided by merger of firms possessing core infrastructure with ISPs commanding a sizeable dial-up base. Global access will become increasingly important. This may induce consolidation along strategic geographical access and product lines. We expect a (first) round of consolidation within the US market and, then in the second-round, a shift to cross border acquisition and partnerships for initial access to external markets. We expect this to be followed by organic growth in these markets followed, further, by consolidation and so on. In this regard, we mention that AOL has already indicated its plans to acquire aggressively internationally along the lines of Yahoo and Microsoft.

While increase in global dial-up base would be a strategic motive for ISPs, we maintain that maintenance of a strong US dial-up base, as a lever of home presence, will continue to be a dominating factor in valuation of ISPs. EarthLink, in our opinion, has a strong homespun leverage advantage. Further, successful companies in the ISP business have good cash resources, a large dial-up base, broadband upgrade capacity, quality service structure and, importantly, in-sight-profitability. We believe EarthLink adequately meets each of these criteria.

To sum, we expect more consolidation, a decrease in prices to access, free ISPs to burnout, more cable announcements with equal access clause in place and improved broadband/DSL services.

Q4(00) UPDATE AND 2001 OUTLOOK

By end of Q4(00), EarthLink had 4.7 million paying subscribers up from 3.1 million at year-end 1999. The increase of 52% on year over year basis was, primarily, the outcome of EarthLink's acquisition growth strategy. The Company reported Q4(00) revenue of $286.8 million, up 15 % over Q3(00), reflecting not just the effect of acquisition of OneMain but also a strong growth in broadband subscriber share. We regard this to be a favorable trend as it diversifies the Company's revenue channels.

During the quarter, EarthLink's broadband revenues rose to $22.9 million, a 214% increase over Q4(99). With 76,000 broadband subscribers in Q4(00), EarthLink's total installed broadband subscriber base is 215,000, a 760 % year-over-year growth. We believe this growth strategy is justified by the higher growth prospects in broadband.

In Web hosting, EarthLink added 10,000 net new subscribers during Q4(00), increasing the total to 169,000. This represents 60000, or 56%, new additions over the prior year. Advertising, content and commerce revenue was $5.8 million in Q4(00), down $0.9 million from Q3(00). We believe this captures the industry-wide decline experienced amid the soft Internet advertising environment. Further, this is evidence to us of our assessment of EarthLink as a good acquisition target for Yahoo. Yahoo's singular revenue channel model is overexposed to fluctuations in advertisement expenditure. EarthLink, in the same adverse environment, improved overall EBITDA. Prima facie, this is evidence to us that a takeover of EarthLink by Yahoo would reduce the latter's business cycle risk. Pending an upswing in the cycle, we expect advertising, content and commerce revenue to decline in contribution in the first half of 2001.

Net loss for Q4(00), excluding acquisition and merger-related costs, was $52.2 million or ($0.40) per share and EBITDA negative $40.7 million. EBITDA deteriorated by only $ 3.1 million from the EBITDA loss in Q3(00). We regard these improvements in profitability, in the face of new spending on a national brand advertising campaign, as reflection of the success of management's reduction in spending on less effective sales and marketing channels and tight control over operating expenses.

In last two years, EarthLink has experienced, what we label as 'transitional recession in its revenues' as it molds from being a dial-up provider towards offering the in-demand broadband and DSL services. Further, dial-up revenue has been impacted by free and heavily discounted email services. However, in our assessment of Q4(00) results, EarthLink has shown that it is successfully making the transition.

Q4(00) signaled the decision by management to cannibalize revenues from its narrowband customers into high-speed access by means of migration of its dial-up base to broadband. We believe this to be a sign of the decision of EarthLink's management to allow the Godzilla of the industry, AOL Time Warner, to forge ahead in increasing its narrowband market share. We do not regard this strategy as ill-conceived management, as EarthLink, has clearly spelt out the need to balance growth with profitability. We expect profitability margins in dial-up to shrink as the demand for narrowband matures. Broadband, at present, does not have deep profit margins. However, not only do we expect margins in broadband to improve, but growth, adjusted for acquisition costs, to translate into higher revenues and positive EBITDA by Q4(01).

To cap, in our opinion, additional organic growth in narrowband would have increased acquisition costs and decreased profitability margins further. Also we believe, that as growth of narrowband slows, and with uncertainty in growth of Direct Broadcast Satellite (DBS) services, cable induced DSL is the area of immediate scalability gains. Hence, cannibalization seems like a good strategy for shareholder gains.

We regard EarthLink's 'equal access' agreement with AOL Time Warner and successful reassessment of Sprint deal as signs of good management. Further, the open access deal with AOL Time Warner will enable EarthLink to offer high-speed Internet access, content, and functionality to customers passed by the AOL Time Warner broadband-capable cable networks. Consequently, we expect the bulk of broadband growth in the first half of 2001 to accrue from migration and in the second half from access provided through AOL Time Warner networks. We believe this implies that competition in broadband arena will be stiffer in Q3(01) and Q4(01) leading to increasing acquisition costs.

Despite business synergies and high-speed installation efficiencies taking root, in 2001, we expect the GP margin to fall to about 60% as EarthLink displaces increasing percentage of its business into DSL broadband services which has a higher percentage cost of revenues compared to narrowband access. In our opinion, the decline may be accentuated by higher costs associated with reaching non-urban, sparse markets with poor telecommunications infrastructure. We also expect sales and marketing costs to increase as EarthLink increases its broadband membership. We believe share of narrowband revenue to decrease as narrowband subscribers are expected to remain flat.

In the past, EarthLink has been amongst the best ISPs in terms of subscriber care. We believe, that the fact that monthly subscriber churn remained at 4.1% in Q4(00), a period of acute subscriber additions by way of acquisition, is reflective of EarthLink's commitment to its subscribers. As such, we assume in our model that the churn rate will remain unchanged at 4.1% despite possible migration bottlenecks.

Most critical in our assessment is the fact that EarthLink has a strong liquidity position. With cash and cash equivalents of $675 million in Q4(00), EarthLink is expected to be able to circumvent the need for fresh equity prior to generating positive EBITDA. This is critical as liquidity is a factor that has crashed many Internet companies given the current dry state of equity financing to tech sector. We believe that with a requirement of approximately 60 million per month, 675 million in cash reserves at year-end 2000, is sufficient for EarthLink to move into EBITDA positive operations by Q4(01).

In 2000, the Company pursued a strategy of growth by acquisition and organic growth. One of the factors that prompted adoption of acquisition-oriented growth strategy by EarthLink was 400-dollar rebate package imposed by competitors. With the undoing of the rebate by MSN, we expect less growth by acquisition and more from migration of dial-up base into broadband.

We believe that EarthLink is well on course to achieve its 2001 targets of 500000 broadband subscribers, primarily, by migration. Our model predicts that the Company will achieve positive EBITDA in Q4(01). However, we do not rule out the possibility of a takeover prior to 2001 year-end.

For Q1(01), our baseline model predicts that revenues should increase to approximately $ 300 million and EBITDA loss before merger and acquisition related costs should narrow to a negative $31 in Q1(01).

STRATEGIES FOR GROWTH

A BROADBAND STRATEGY FOR GROWTH

As narrowband growth stalls and industry consolidates, EarthLink's business strategy is changing from acquisition growth to that of balanced growth in subscribers and a market position with profitability. While this is a signal that EarthLink's has acknowledged AOL Time Warner as the leader in ISP business, it is refocusing on more growth-oriented avenues like broadband. We believe this to be an appropriate strategy to enhance shareholder wealth by means of increasing market share in high-speed access.

As revealed in results of Q4(00), we believe, the engine of growth for EarthLink in 2001 is broadband. Additionally, with broadband availability expanded by 14, to 86 metropolitan markets, SDSL services made accessible, by 25 more, to 39 markets and with growth across all of its broadband partners and each of its DSL, cable and fixed wireless platforms, future growth prospects in broadband revenue, in our opinion, remain bright. Our view is buttressed with EarthLink's open access broadband agreement with AOL Time Warner cable operations and deals with partners like Hughes Network Systems offering two-way high-speed satellite Internet services. We believe that, by second half of 2001, EarthLink would be generating 15% to 20% of its revenues from broadband.

We expect EarthLink to improve its operational efficiencies as the synergies of its acquisition-oriented growth take root. We further believe that EarthLink will be able to capitalize on strong market demand, its partnership strategies, and its ability to deploy DSL, cable, fixed wireless and satellite broadband solutions to grow its broadband base to meet its projection of 500,000 high-speed access subscribers by 2001.

STRATEGIC ALLIANCES

We expect EarthLink to continue to forge new strategic alliances especially to propel broadband/DSL growth. By outgrowing the Sprint-exclusivity deal, we expect EarthLink to leverage its dial-up base to emerge as a viable strategic partner with complementing companies.

MIGRATION PROGRAM

Relative to year 2000, we expect acquisition program to be de-emphasized as EarthLink recoups from acquisition and merger costs to boost its profitability. The 400-dollar rebate package imposed by competitors had prompted acquisition-oriented growth by EarthLink. With the undoing of the rebate by MSN, we expect less growth by acquisition and more from migration of dialup base into broadband.

DIVERSIFICATION OF REVENUE CHANNELS

EarthLink is broadening its revenue channels from dial-up to broadband and wireless. We regard this as a good hedging strategy to maintain revenue growth. EarthLink is also trying to diversify further its revenue base to platforms other than personal computer by schemes like EarthLink Everywhere initiative launched with Motorola and Research in Motion. The arrangement aims at including a variety of Internet platforms and mobile devices. We regard diversification into non-computer platform as a good sign given signs of industry-wide deceleration in e-commerce and slowdown in PC sales.

KEY RISK FACTORS

- Wall Street is confident of the ability of the Company to meets the consensus forecast earnings. A significant deviation in the estimates from the consensus could have very adverse price consequences for the shares.

- Compared to DBS stocks, cable stocks at present are trading at higher per subscriber multiples. As ISPs become increasing identified with cable on account of broadband initiative, a possible contraction in per subscriber multiples in cable industry may adversely affect ISP stocks.

- The demand for and availability and implementation of the Company's broadband services may not continue to grow and improve as expected. If this happens, and with the narrowband growth stalled, we would expect the price to take a hit. However, given the past performance of the management, we expect EarthLink to be able to successfully leverage it's standing as the second largest ISP into broadband. DSL and wireless services.

- A significant change in the growth rate of the overall US economy may occur such that consumer and corporate spending are materially impacted. We regard a recession as non-diversifiable risk and, given EarthLink's beta of 1.9, we would update our recommendation on EarthLink if US GDP takes a two-quarter successive hit.

VALUATION & INVESTMENT OPINION

We put an optimistic price target of $ 18 by 2001-year end (95% return) and a Q1(01) price of $ 11 (19% return). The upside price range is contingent on our expectation that the price multiple of the stock will increase given recent renegotiation of terms with Sprint fuelling takeover speculation. We put a pessimistic price target of $ 12 by 2001-year end (30% return) and a Q1 (01) of $ 10.5 (8% return). The conservative estimate is contingent on overall slowdown in US economy. In such a case we would expect the current multiples to, at best, remain stagnant. We thus give its stock a short term (4 month) and intermediate term (12 month) BUY recommendation.

EarthLink Inc. (NASDAQ:ELNK)

Baseline projections

					Projections: (based on organic growth alone, no acquisitional growth factored in)				
	1999	Q3	Q4	2000	*Q1*	*Q2*	*Q3*	*Q4*	*2001*
		9/30/00	12/31/00		*3/31/01*	*6/30/01*	*9/30/01*	*12/31/01*	
Total subscribers	3,100,000	4,600,000	4,700,000	4,700,000	*4,800,000*	*4,850,000*	*4,900,000*	*5,000,000*	*5,000,000*
Narrowband subscribers	2,966,000	4,298,000	4,306,000	4,306,000	*4,307,000*	*4,308,000*	*4,309,000*	*4,310,000*	*4,310,000*
YOY growth				0					*0*
Webhosting subscribers	109,000	168,000	169,000	169,000	*175,000*	*181,000*	*187,000*	*193,000*	*193,000*
YOY growth				55%					*14%*
Broadband subscribers	25,000	139,000	215,000	215,000	*266,600*	*318,200*	*408,500*	*498,800*	*498,800*
					266,600	*318,200*	*408,500*	*498,800*	
YOY growth				760%					*132%*
Net Additional subscribers		900,000	100,000	1,600,000	*100,000*	*50,000*	*50,000*	*100,000*	*300,000*
Churn rate (assumed constant)			4.1%	4.1%	*4.1%*	*4.1%*	*4.1%*	*4.1%*	*4.1%*
Monthly ARPU (Narrowband)			19	19	*19*	*19*	*19*	*19*	*19*
Monthly ARPU (Webhosting)			34	39	*36*	*38*	*38*	*40*	*38*
Monthly ARPU (Broadband)			43	40	*40.0*	*41.0*	*42.0*	*43.0*	*41.5*
Revenue:									
Narrowband	582,883	210631	241,029	833,415	*246,775*	*246,833*	*246,890*	*246,947*	*987,445*
% of revenue	86.9%	84.5%	84.0%	84.4%	*82.3%*	*79.6%*	*77.2%*	*77.2%*	*79.0%*
YOY growth				43.0%					*18%*
Webhosting	47,435	16535	16959	65,756	*18,576*	*20,292*	*20,976*	*22,800*	*82,536*
% of revenue	7.1%	6.6%	5.9%	6.7%	*6.2%*	*6.5%*	*6.6%*	*7.1%*	*6.6%*
YOY growth				38.6%					*25.5%*
Broadband	23,540	15480	22,938	57,753	*28896*	*35965*	*45782*	*58521*	*177736*
% of revenue	3.5%	6.2%	8.0%	5.9%	*9.6%*	*11.6%*	*14.3%*	*18.3%*	*14.2%*
YOY growth				145.3%					*207.8%*
					-816.0	*-1400.0*	*200.0*	*400.0*	
Content, Comm. &Adv	16,575	6654	5,838	29,706	*4,438*	*4,638*	*5,038*	*5,538*	*19,652*
% of revenue	2.5%	2.7%	2.0%	3.0%	*1.5%*	*1.5%*	*1.6%*	*1.7%*	*1.6%*
YOY growth				79.2%					*-33.8%*
Total Revenue	670,433	249,300	286,800	987,100	*300,000*	*310,000*	*320,000*	*320,000*	*1,250,000*
Shares outstanding			129920	129920	*130000*	*130000*	*135000*	*135000*	*135000*
3 month revenue per share			2.207512315	7.6	*2*	*2*	*2*	*2*	*9*
3 month trailing revenue					*649576*	*704525*	*747053*	*806000*	
Price per share / Revenue per share				1.2	*1.2*	*1.2*	*1.2*	*1.2*	
Price projection (pessimistic)				**9.3**		***10.5***		***11.7***	***11.7***
Price projection (optimistic)					***10.7***	***12.2***	***15.1***	***18.0***	***18.0***

EarthLink Inc. (NASDAQ:ELNK)

Baseline projections

	1999	Q3 9/30/00	Q4 12/31/00	2000	*Projections: (based on organic growth alone, no acquisitional growth factored in)* *Q1* *3/31/01*	*Q2* *6/30/01*	*Q3* *9/30/01*	*Q4* *12/31/01*	*2001*
Cost of revenues	248487	92398	112932	368133	*120000*	*124000*	*128000*	*128000*	*500000*
% of total exp.	28.7%	27.4%	28.1%	26.6%	*31.3%*	*31.7%*	*32.4%*	*32.0%*	*31.8%*
Gross Income	421946	156902	173868	618967	*180000*	*186000*	*192000*	*192000*	*750000*
Sales & marketing	219349	112466	116,369	443,708	*241,308*	*194,532*	*228,122*	*236,038*	*900,000*
% of total exp.	25.3%	33.4%	28.9%	32.1%	*62.9%*	*49.8%*	*57.8%*	*59.0%*	*57.2%*
YOY				102.3%					*102.8%*
Operations & member support	182134	75866	82410	297027	*76698*	*78160*	*78958*	*80061*	*314655*
% of total exp.	21.0%	22.5%	20.5%	21.5%	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
General & Adm.	67,876	25046	37,481	106,148	*30,000*	*31,000*	*32,000*	*32,000*	*125,000*
% of total exp.	7.8%	7.4%	9.3%	7.7%	*7.8%*	*7.9%*	*8.1%*	*8.0%*	*7.9%*
Merger related	0	0	0	33967	*0*	*0*	*0*	*0*	*0*
Acquisition related	148,267	31254	53,328	132,448	*31,250*	*31,250*	*31,250*	*31,250*	*125,000*
% of total exp.	17.1%	9.3%	13.2%	9.6%	*8.1%*	*8.0%*	*7.9%*	*7.8%*	*7.9%*
Total	866113	337030	402520	1381431	*383488*	*390801*	*394790*	*400304*	*1573275*
Operating Income	-195680	-87730	-115720	-394765	*-83488*	*-80801*	*-74790*	*-80304*	*-323275*
Net Interest	21986	15200	7874	46485	*10125*	*10125*	*10125*	*10125*	*40500*
Net profit (pretax)	-173694	-72530	-107846	-348280	*-73363*	*-70676*	*-64665*	*-70179*	*-282775*
Depreciation & Amortization	189523	47907	75076	236280	*52000*	*60000*	*60000*	*103000*	*275000*
Dep (Cost of revenues)	23441	9240	11131	37008	*12000*	*12400*	*12800*	*12800*	*50000*
Dep/Amor (Other)	17815	7413	10617	32857	*8000*	*10000*	*12000*	*15000*	*45000*
Acquisition amortization	148267	31254	53328	132448	*31,250*	*31,250*	*31,250*	*31,250*	*135,000*
Merger amortization	0	0	0	33967	*0*	*0*	*0*	*0*	*0*
EBITDA (adjusted for merger)	-6157	-39823	-40644	-158485	*-31488*	*-20801*	*-14790*	*22696*	*-48275*
Margin analysis									
Gross margin	62.9%	62.9%	60.6%	62.7%	*60.0%*	*60.0%*	*60.0%*	*60.0%*	*60.0%*
Sales & marketing	32.7%	45.1%	40.6%	45.0%	*80.4%*	*62.8%*	*71.3%*	*73.8%*	*72.1%*
General & Administrative	10.1%	10.0%	13.1%	10.8%	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Operating margin	-29.2%	-35.2%	-40.3%	-40.0%	*-38.0%*	*-35.0%*	*-30.0%*	*-28.0%*	*-32.8%*
Net margin	-25.9%	-29.1%	-37.6%	-35.3%	*-24.5%*	*-22.8%*	*-20.2%*	*-21.9%*	*-22.6%*
Depreciation & Amortization margin	28.27%	19.22%	26.18%	23.94%	*17.33%*	*19.35%*	*18.75%*	*32.19%*	*22%*
EBITDA Margin	-0.9%			-16.1%					*-3.9%*
EBITDA per share			***-0.313***	***-1.220***	**-0.242**	**-0.160**	**-0.110**	**0.168**	**-0.358**
Net loss per share (pre M&A costs)			***-0.42***	***-1.40***	**-0.32**	**-0.30**	**-0.25**	**-0.29**	**-1.09**