

# Press Releases

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## Quotesmith.com Reports Third-Quarter Financial Results

By [Insure.com](http://insure.com) Posted on October 23, 2002

Quotesmith.com, Inc. (ticker: QUOT, exchange: NASDAQ) News Release - 10/23/2002

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### Quotesmith.com Reports Third-Quarter Financial Results

- Revenues Surge 54 Percent; Operations are Cash Flow Positive
- Policy Sales Jump 40 Percent on 25 Percent Marketing Expense Reduction
- Net Loss of \$932,000 includes \$329,000 Asset Write-Off
- New Financial Guidance Points to Profitability in 2003

DARIEN, Illinois (October 23, 2002) -- Quotesmith.com, Inc., (Nasdaq SmallCap: QUOT), the online insurance broker that provides instant quotes from over 300 leading insurance companies and enables visitors to buy from the company of their choice, today announced financial results for the third quarter ended September 30, 2002.

"Quotesmith.com delivered strong momentum in the third quarter," said Robert Bland, chairman and CEO. "Increased insurance shopper activity within our core life, health and auto sectors fueled revenue growth of 54 percent and new policy sales growth of 40 percent over the same period last year. For the first nine months of 2002, we achieved 34 percent revenue growth, 21 percent reduction in expenses and a 70 percent reduction in our net loss compared with the results of the prior year. These positive dynamics, combined with additional expense reductions totaling \$2.2 million, have laid the foundation for us to attain profitability throughout 2003."

Quotesmith.com chief financial officer, Phillip Perillo, commented, "We achieved strong leverage in our business model during the third quarter of 2002, traditionally our slowest quarter. Per transaction revenue (total revenues

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divided by policies sold) rose 9.7 percent to \$496 in the third quarter vs. \$452 last year, while our per-policy marketing costs decreased by 46 percent to \$116 compared to \$216 in the third quarter of 2001. During the third quarter we wrote off \$329,000 of computer software resulting from the decision to discontinue our California automobile insurance quoting engine project in favor of using the same outsourced technology solution for California that we now use in the other states. Increasingly reduced auto insurance commission opportunities, combined with high handling costs contributed to our decision to exit the auto insurance agency business in California. This decision effectively ends this project's drain on capital and immediately turns our automobile insurance offerings profitable, including California business. We expect our nationwide auto offerings to continue to generate high margin fee and referral income that does not require further capital investment or expense on our part."

## Financial Results

Revenues for the third quarter ended September 30, 2002 were \$2.7 million, a 54 percent increase from revenues of \$1.7 million reported for the third quarter of 2001. Net loss for the third quarter decreased to \$932,000, or \$0.19 per share, compared with a net loss of \$1.1 million, or \$0.20 per share reported for the third quarter of 2001.

For the first nine months of 2002, the Company reported 34% growth on revenues of \$8.43 million vs. \$6.28 million for the same period in 2001. Net loss for the first nine months of 2002 totaled \$1.85 million, or \$0.37 per share as compared to a net loss of \$6.11 million, or \$1.12 per share, for the first nine months of 2001.

Quotesmith.com ended the quarter with \$16.3 million, or \$3.34 per share, in cash and short-term investments.

For the third quarter, Quotesmith.com reported 5,379 new policies sold, representing an increase of 40 percent from the 3,830 policies sold in the third quarter of 2001. Policies sold for the first nine months of 2002 amounted to 16,778, up 8.5 percent from the 15,463 paid policies reported in the like period of 2001.

## Business Highlights

### Cost Effective Customer Acquisition

Quotesmith.com continues to acquire new customers on a cost effective basis. Commenting on the increased marketing efficiencies of 2002, Bland remarked, "We are very pleased with the progress of our marketing efforts so far in 2002. Through nine months, we sold almost nine policies per thousand dollars of marketing spent compared to selling less than three policies for every thousand dollars spent in marketing during the same period of 2001. And during this period, we generated \$4.49 of revenue for every marketing dollar spent vs. generating \$1 of revenue per dollar spent in 2001. Going forward, we intend to make increased use of our easy-to-understand Insure.com name as our flagship consumer brand name."

### Relocation of Insure.com Editorial Office Operations to Save \$1 Million Annually

Quotesmith.com also announced today that it will be consolidating its East Hartford, CT editorial office into the Company's Darien, IL headquarters effective November 1, 2002. The Company acquired Insure.com in December 2001. As a result of this consolidation, Quotesmith.com expects to save \$1 million in annual operating costs as part of the \$2.2 million savings mentioned above. The Company also announced today the resignation of Phillip T. Moeller, senior vice president of content and business development. "Phil Moeller is a friend and a highly skilled publisher who built Insure.com into one of the highest-trafficked consumer insurance information destination sites. We wish him well in his new pursuits," said Bland.

### Advancement of Online Order Fulfillment Technology Plus Elimination of Third Party Customer Service Vendors Expected to Save \$1.2 Million Annually

Quotesmith.com has a number of technical projects underway that make it easier and faster for an insurance shopper to buy online, particularly in the area of order fulfillment for life and health insurance, two lines which represent approximately 85% of annual revenue. By eliminating errors, mistakes and false starts at their root, the

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Company's new order fulfillment technology keeps the customer in control, delivers to each insurance company a complete submission and slashes our variable handling costs.

The win-win-win benefits of this technology will enable the Company to eliminate its reliance upon third party call centers, which have been providing telephone interview and other manual, off-Internet forms completion tasks on behalf of the Company. The Company intends to eliminate its reliance upon third party call centers entirely by year-end, saving a minimum of \$1.2 million in annual operating costs going forward, part of the \$2.2 million savings mentioned above, thus accelerating the Company's path to profitability.

#### Share Repurchase Program Update

As part of its previously announced share repurchase program, Quotesmith.com repurchased 40,000 shares in the third quarter of 2002 at an average price of \$2.52 per share. So far in 2002 the Company has repurchased a total of 446,050 shares at an average price of \$2.69 per share and has board approval to repurchase an additional 652,000 shares. Quotesmith.com had 4,894,229 shares outstanding as of September 30, 2002.

#### Business Outlook

Quotesmith.com is today reaffirming the financial targets for 2002 that were announced on July 24, 2002. The Company anticipates 2002 revenues of \$10 to \$11 million, a net loss of \$1.5 to \$2 million and year-end cash and investment balances of \$14 to \$15 million. Depreciation, amortization and other non-cash charges for 2002 are expected to total \$1.5 million.

Quotesmith.com continues to execute a business strategy that balances bottom-line returns with investments in long-term growth. Given the Company's momentum through the first nine months of 2002, Quotesmith.com offers the following financial guidance for 2003:

- Revenues of \$11-\$12 million
- Net profit of \$1.0-\$1.5 million
- Year-end cash and investment balances of \$17-\$18 million

Quotesmith.com believes that its current capital structure, including cash and short-term investments of \$16.3 million, is adequate to reach profitability without the necessity of additional debt or equity financing. This guidance, which is subject to change, is based upon a wide range of business factors and assumptions known or believed to be true by the Company as of this date. Quotesmith.com does not confirm or update its financial projections except in compliance with Regulation FD nor does the Company provide confirmation or update of its financial targets except through public announcements.

#### About Quotesmith.com

Founded in 1984, Quotesmith.com owns and operates two comprehensive online consumer insurance information services, [www.insure.com](http://www.insure.com) and [www.quotesmith.com](http://www.quotesmith.com). Catering to self-directed insurance shoppers, Quotesmith.com provides a comprehensive array of comparative auto, life and health quotes, combined with news, information and decision-making tools that are not available from any other single source. Visitors to the Company's Web sites are able to obtain instant quotes from more than 300 leading insurers for twelve different lines, achieve maximum savings and have the freedom to buy from any company shown. Quotesmith.com generates revenues from the receipt of commissions, fees, content licensing and advertising revenues paid by participating insurers. Quotesmith.com also provides personalized insurance brokerage and policy placement services for its customers. Shares of Quotesmith.com trade on the Nasdaq SmallCap Market under the symbol "QUOT."

#### Cautions about Forward-Looking Statements

This announcement may contain forward-looking statements that involve risks, assumptions and uncertainties pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. This announcement also contains forward-looking statements about events and circumstances that have not yet occurred and may not occur. These forward-looking statements are inherently difficult to predict. Expressions of future goals and similar expressions including, without limitation, "intend," "may," "plans," "will," "believe," "should," "could," "hope," "expects," "expected," "does not currently expect," "anticipates," "predicts," "potential" and "forecast," reflecting something other than historical fact, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Investors should be aware that actual results may differ materially from the results predicted and reported results should not be considered an indication of future performance. Reported Web site activity and/or quotes are not necessarily indicative of any present or future revenue. The Company will not necessarily update the information in this press release if any forward-looking statement later turns out to be inaccurate. Potential risks and uncertainties include, among others, Quotesmith.com's ability to successfully launch and realize revenues from new products and services, potential business risks associated with generating revenues from the insure.com platform, anticipated losses, unpredictability of future revenues, potential fluctuations in quarterly operating results, seasonality, consumer trends, competition, risks of system interruption, the evolving nature of its business model, the increasingly competitive online commerce environment, dependence on continuing growth of online commerce and risks associated with capacity constraints and the management of growth. More information about potential factors that could affect the Company's financial results are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and the Company's Quarterly report on Form 10-Q for the quarter ended June 30, 2002, both of which are on file with the United States Securities and Exchange Commission. Quotesmith.com, insure.com, LTCompare and QuotesmithPro are service marks of Quotesmith.com, Inc. All other names are trademarks of their respective owners. Copyright 2002. All rights reserved. Quotesmith.com, Inc.

QUOTESMITH.COM, INC.

STATEMENT OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Quarter Ended September 30,			Nine Months Ended September 30,	
	2002	2001		2002	2001
Revenues:					
Commissions and fees	\$2,644	\$1,725		\$8,292	\$6,247
Other	23	5		141	34
Total revenues	2,667	1,730		8,433	6,281
Expenses:					
	623	828		1,877	6,244
Operations	2,279	1,395		6,227	4,280
	781	797		2,444	2,798
Total expenses	3,683	3,020		10,548	13,322
Operating loss	(1,016)	(1,290)		(2,115)	(7,041)
Interest income	84	228		261	928
Net loss	\$(932)	\$(1,062)		\$(1,854)	\$(6,112)
Net loss per common share, basic	\$(0.19)	\$(0.20)		\$(0.37)	\$(1.12)

and diluted					
Weighted average common	4,918	5,345		4,986	5,475
shares and equivalents					
outstanding, basic and					
diluted					

SELECTED BALANCE SHEET DATA  
(In thousands)

	(Unaudited) September 30, <u>2002</u>		December 31, <u>2001</u>

Cash and investments	\$ 16,339		\$ 17,942	
Commissions receivable	1,478		1,352	
Other assets	324		220	
Total current assets	18,140		19,514	
Total assets	\$20,195		\$23,000	
Total current liabilities	\$ 1,303		\$ 1,000	
Total liabilities	1,352		1,085	
Total stockholders' equity	18,844		21,915	
stockholders' equity	\$20,195		\$23,000	

SOURCE Quotesmith.com, Inc.

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