MEET ME
"MeetMe First Quarter 2014 Earnings Conference Call"

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Joe Hassett
Geoff Cook
David Clark

OPERATOR: Good morning, and welcome to the MeetMe, Inc. first quarter 2014 earnings conference call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your telephone keypad. To withdraw your question, please press star (*) then two (2). Please note this event is being recorded. I would now like to turn the conference over to Joe Hassett. Please go ahead.

JOE HASSETT: Thank you, Camille, and good morning everyone. Welcome to MeetMe's first quarter 2014 financial results conference call. On the call this morning are MeetMe's Chief Executive Officer, Geoff Cook and Chief Financial Officer David Clark.

Before we begin, I would like to remind everyone that during this conference call, Management will make certain forward-looking statements which convey Management's expectations, beliefs, plans, and objectives regarding future financial and operational performance. Forward-looking statements are generally preceded by words such as "believe", "plan", "intend", "expect", "anticipate", or similar expressions. Forward-looking statements are protected by the 'Safe Harbor' contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a wide range of risks and uncertainties that could cause actual results to differ in material respects, including those relating to our plans regarding new products and mobile monetization. Actual results could differ materially from those described in this conference call and presentation. Information on various factors that could affect MeetMe's results is detailed in the reports we file with the Securities and Exchange Commission. MeetMe is making these statements as of May 8, 2014, and assumes no obligation to publicly update or revise any of the forward-looking information in this conference call. In addition to GAAP results, we will discuss certain non-GAAP financial measures in this conference call, such as adjusted EBITDA. Our earnings press release for the first quarter of 2014 can be found on the news release link on the investor relations page of the company's website, www.meetmecorp.com. The tables included with the earnings press release include a reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP financial measures.

A replay of this conference call will be available at the investor relations section of the MeetMe corporate site at again, www.meetmecorp.com. With that, I'd now like to turn the call over to our CEO, Geoff Cook. Geoff?

GEOFF COOK: Thanks, Joe, and good morning everyone. Q1 demonstrated the strong foundation of mobile monetization we built over the last five quarters. Mobile average revenue per user again exceeded web average revenue per user, as mobile revenue notched a 144% year-over-year growth to $4.7 million in Q1. Mobile drove top-line revenue growth of 22%, to $9.5 million versus $7.8 million a year ago, and represents an acceleration versus a 12% year-over-year growth in

Q4. In Q1, we also made excellent progress with a number of exciting products to make it easier and faster to meet and chat with new people. We view MeetMe as a mobile version of the bar or coffee house and as such, Chat is an integral piece of the product, enabling users to connect and socialize. If the end goal for the Company is to be the conduit for making new friends among the 50+ million people aged 18 to 30 in the United States, and the 1+ billion people aged 18 to 30 worldwide, our end goal for Chat, our most popular feature, is to build a communications platform that enables people to break the ice and develop their mobile relationships over time.

With our ability to monetize the mobile audiences now demonstrated, our attention is squarely on growing mobile daily active users, or DAU. Growth in DAU ultimately drives growth in revenue, as users who log in more frequently view more advertising impressions and are more likely to purchase virtual currency. Our mobile users viewed 8.6 billion mobile ad impressions in Q1, up 7% sequentially and 78% year-over-year. To drive DAU, in April we launched the most significant upgrade to our app in its history, transforming the mobile Chat experience. Chat is by far the number one feature on the MeetMe app, and the effectiveness of Chat to induce another person to log in to MeetMe ultimately drives our engagement model. In April, we made Chat significantly easier and faster by adding real-time components, including typing and status indicators to enable real-time communications similar to iMessage style conversations. We believe that as a result of these launches, MeetMe is already showing signs of increased engagement. In a recent 3-week period, chats sent per day in our mobile apps increased 36% versus the Q1 average, and screen views in mobile Chat increased 26% versus the Q1 average.

We also launched ephemeral photos within Chat, to differentiate our Chat product around the Meet New People use case. The ability to share photos within messages was one of the most requested improvements from users and the early adoption of ephemeral photos suggests it will become one of the apps most important features. Since we first launched ephemeral photos in Chat, we have seen overall photo posting volume increase by 23%. Now, approximately 100,000 ephemeral photos are being shared each day on mobile. Ultimately, we believe a stronger, differentiated Chat offering will improve engagement and retain users longer.

The early data also suggests these releases are having a positive impact on DAU. Since the launch of ephemeral photos, our mobile DAU has averaged approximately 852,000 users, an increase of 10% versus the Q1 average. This suggests early signs of the success of our strategy to grow DAU through innovation and Chat.

I am excited, as well, by the strength of the mobile product pipeline. While the most recent release made Chat faster and more visual, future releases are aimed at driving more existing connections into Chat and helping users efficiently find new Chat partners. For example, on a typical recent day, only 8% of new friendships and just 2.5% of new matches led to a Chat conversation. Given there are more than 2.1 million new friendships a day and more than 1.5 million new matches a day, we believe there is an opportunity to add hundreds of thousands of daily Chat partners by simplifying the product and removing any barriers to Chat. Beyond this one example, we have a full pipeline of features aimed at improving the quality and likelihood of Chats within MeetMe.

As our business is increasingly moving from web to mobile devices, web revenue in the quarter declined 36% from a year ago, to $3.3 million. While we are managing the rate of decline by optimizing CPMs and launching new web functionality, including real-time Chat in the coming days, we expect this decline to continue. Nevertheless, we believe mobile will continue to grow and surpass 50% of total revenue in Q2. In the long run, we believe the transformation to a mobile business will yield even stronger financial performance as indicated by Q1 mobile ARPU of $1.92 versus Q1 web ARPU of $1.04. As we take actions to increase DAU, we believe that will proportionally grow ARPU, as well, further driving financial performance.

Now, I'd also like to provide a brief update on our standalone app strategy. As I've indicated previously, we consider our standalone apps to be the tip of the spear in innovation, enabling inexpensive and fast product iteration, as well as unrestricted brainstorming in the ideation. As a result, we are able to try many things and learn quickly what is working and what is not, and apply that learning to the MeetMe core app while also benefitting from the growth of the standalone app itself. Our Choosy app has shown us the importance of conversation starters to driving high quality replies, a lesson we plan to apply to the core MeetMe app next month. In addition, the ephemeral photo sharing feature we launched in April began as a standalone app concept. Although we decided not to launch the feature as a standalone app, we saw its promise and instead folded it inside the core MeetMe app, which has proven to be a strong fit. Finally, in the case of Charm, we learned we have not yet made the video creation process low friction enough to consider scaling it to the MeetMe audience. Developed as a standalone app, we learned this lesson inexpensively, which saves us the time and money it would have taken to build a video infrastructure capable of supporting more than 1 million daily users.

In general, we continue to seek to launch one standalone app a quarter, to fail fast if that standalone app does not find traction, and to apply learnings to both the core app and the future standalone app pipeline. Finally, I'd like to say a word about the market itself, given the recent news of a potential Zoosk IPO and possible Match spinout from IAC. Mobile is changing the very way people meet and date. There are 85 million singles in the U.S. alone, and 22% of singles 25 to 34 now use online dating, according to a recent Pugh study. Compared to 2005, twice as many relationships start online today. In fact, according to our recent sector report, online dating is a $1.5 billion a year business and growing at 9% per year in the U.S. alone. We believe a dramatic shift is underway in the multibillion dollar dating industry, and that the industry is anchoring towards free, with lowered pricing and dramatic investments in free services by existing players. Consequently, we believe that the subscription dating model is ultimately compromised because it has proven to lead to massive churn. We believe that as the younger generation comes of age with free meet-new-people services like MeetMe, buying a dating subscription later in life will feel quaint and old-fashioned. MeetMe is unabashedly free, pursuing an advertising-driven model that enables us to monetize the widest audience while providing the best user experience without pay walls to dramatically limit communication and engagement on the platform. We have built what we believe to be an industry leading mobile monetization infrastructure around this free experience, with mobile ARPU reaching $1.92 in Q1, ahead of even Facebook's $1.33 in Q1.

We consider MeetMe to be the neighborhood bar, where users visit predominantly to meet new friends and socialize. By being inclusive, we can make better matches because our users don't hit a pay wall and leave, never to return again. Ultimately, MeetMe has nearly 5 million monthly users who receive the full value of the service, not a watered down version. We optimize around having the best experience for all of our users and we believe that this model will prove disruptive. Ultimately, we see a dramatic opportunity to build a vast advertising supported meet-new-people service. In Q1, we demonstrated the strength of our mobile monetization platform and in recent weeks, we demonstrated the strength of our team, by delivering Chat and ephemeral photos on schedule and driving traffic and DAU growth as a result. I am honored to have the opportunity to work with such a talented team in helping to build a leading social service for meeting new people, and I look forward to continuing to execute against an ambitious product pipeline to deliver ever expanding mobile traffic and revenue and ultimately drive shareholder value. With that, I'll turn it to David.

DAVID CLARK: Thanks, Geoff. The first quarter was a good start to the year, as the business grew driven by strong mobile revenue growth offset by declines in our legacy web business. For the rest of the year, we hope to continue that growth while focusing on developing new apps and features designed to drive user growth and engagement. Total revenue for the first quarter was $9.5 million, up 22% from $7.8 million a year ago. When thinking about revenue sequentially, since over 70% of our revenue comes from advertising, we do exhibit the same seasonality as that industry, with the first quarter traditionally being our weakest and the fourth quarter is our strongest. Growth was once again led by mobile, where revenues rose 144% to $4.7 million for the quarter, with the bulk of the quarter's mobile revenue attributable to advertising. Mobile is now nearly half of total MeetMe revenue, doubling in proportion from less than 25% a year ago, and also representing a significant step up in just the last 3 months, from 39% in last year's fourth quarter.

Growth in impressions and CPMs drove an increase in quarterly average revenue per user, or ARPU, which increased 134% to $1.92 in the first quarter, from $0.82 a year ago. Once again, mobile ARPU exceeded first quarter web ARPU of $1.04. Mobile average revenue per daily active user, or mobile ARPDAU, was $0.068 in the first quarter, up 143% from $0.028 a year ago, and once again, compared favorably to Facebook's estimated $0.025 first quarter mobile ARPDAU. Web ARPDAU was $0.109 in the quarter. We believe mobile ARPDAU has the opportunity to grow to and even exceed web ARPDAU, given the heavy consumer engagement in mobile devices.

Web revenues were $3.3 million in the quarter, down from $5.2 million a year ago. The shortfall in remnant web advertising was partially offset by strong growth from cross platform revenues, particularly Social Theater, where revenue in the quarter more than doubled compared to a year ago. From an operational perspective, we continue to do a good job managing our costs. While our revenues in the quarter were up 22%, general and administrative costs were up only 5%. As we mentioned last quarter, the improvement in mobile ARPU is increasing the lifetime value of our mobile users and we're using part of that premium to increase marketing spending. For the year, we're targeting about 7% of revenues for marketing, and in the first quarter, we spent a little over $837,000, or almost 9% of revenues on marketing.

Cost of content, including that driven by higher Social Theater revenues was up from just over $1 million last year to $1.5 million in the quarter. Because the bulk of our Social Theater revenues work cross-platform, that is hosted on other sites and the increase of the cost of content reflects the added expense from the revenue sharing nature of those cross platform arrangements. For the quarter, we reported adjusted EBITDA loss of approximately $500,000, which represents a significant improvement compared to $1.7 million loss a year ago. Adjusted EBITDA loss for the quarter was impacted by a bad debt write down, which is not at all typical for us, and is not expected to recur. In addition, results reflect the shift in revenue mix I previously mentioned, with a growth in cross platform Social Theater revenue resulting in an increased cost of our content. Also, since many of our costs are fixed, the seasonal weakness of the first quarter reduced the leverage in our model. On our last call, I mentioned that we expect margins to step down from Q4 2013 levels due to both the seasonal factors and as well as the increase in the resources dedicated to grow users and improve engagement.

Adjusted EBITDA for the first quarter adds back $1.1 million in depreciation and amortization, $940,000 of stock-based compensation, $775,000 of interest expense, and $125,000 of restructuring costs specifically to the tail-end of severance payments related to last year's management transitions.

A reconciliation of GAAP and non-GAAP measures such as EBITDA is included in our SEC filings and in the appendix to the presentation now posted on our website. Although it does not affect adjusted EBITDA, I will mention that $355,000 of our total interest expense is the result of an adjustment to the value of warrants connected to our terminal facility that was precipitated by the increase of our stock price during the quarter. Despite the loss, we generated positive cash flow from operations of 394,000 in the quarter, and used $950,000 of cash to retire and service debt and to fund capital expenditures. We ended the quarter with cash and cash equivalents of $5.8 million and based on our current expectations, we believe we have sufficient cash on hand to meet our current growth plans.

Now turning to guidance, we expect second quarter overall revenues to grow roughly 10% year-over-year, with growth once again coming from mobile. And we are reiterating our full-year revenue guidance of $42 to $47 million, which at the high end will represent a 17% increase over 2013. Within this guidance range, we continue to believe that we will beat EBITDA and cash flow positive for the full year. Although the rate of revenue growth in the first quarter was above our total revenue growth expectation for the year, we were comping against a relatively weak quarter from a year ago. For the balance of the year, we will be comparing against quarters that reflect early success of our mobile advertising initiatives, in particular, the launch of feed ads in the second quarter of last year. In addition, we feel it is too early to confidently project the ultimate contribution from the initial positive response to our major Chat revamp. While we are optimistic, traction will need to continue to build, which will push any meaningful revenue contribution from user and usage growth to the backend of the year, where we will be comparing against what were already some of the best quarters in our recent history. So that success is built into the high end of our revenue guidance.

Finally, on April 15, 2014, MeetMe began trading on the NASDAQ. NASDAQ and its impressive roster of growth oriented technology companies is not only a logical partner but we believe provides a strong platform to reach investors, enhance our market visibility, and contribute to increased liquidity. In 2014, our team is singularly focused on growing usage and capturing the vast addressable market in which we serve. We feel the increasing adaptation and usage of smart devices and increased advertising on those devices bodes well for our long-term future.

And with that, Camille, you can open it to questions.

OPERATOR: Thank you. At this time, if you would like to ask a question, please press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time, we will pause momentarily to assemble our roster.

Our first question does come from Ron Josey from JMP. Please go ahead.

RON JOSEY: Great, thanks for taking the questions. So, two, if I may. One, Geoff, sort of higher level, just, I wanted to get your thoughts, I wanted to understand maybe a little bit more about your thoughts on standalone versus core MeetMe apps and I thought your commentary on Chat was really interesting in terms of how it was originally thought of and then ultimately, just include it into the app itself. So just some information there would be very helpful. And then, maybe a little bit more on the marketing costs. David, I think you said that marketing spend came in around 9% of revenue, so call it close to a million dollars. I'm wondering what channels worked well for you all, and if you believe this marketing spend helped to drive the pretty strong growth in mobile ad impressions, both year-over-year and quarter-to-quarter? Or is that just sort of organic ad impression growth overall? Thank you.

GEOFF COOK: Sure. And, this is Geoff. So the way we view standalone apps is really as a source of really inexpensive testing. We could build a standalone app with a few people spending a few months versus, building a feature for MeetMe, which typically would require potentially a dozen people for 9 to 12 months, and the reason is because you can build a standalone app without having to build for a million daily active users of scale. And as a result, you're able to test different concepts and ideas quite efficiently. And so, what we've seen is that Choosy, in particular, had some pretty nice metrics around sessions per user, and what we believe drove those metrics was the likelihood of users to reply to an icebreaker. And so we took that concept that we saw working in Choosy, and we're applying that to our core MeetMe app, which should be launching sometime in the next month on at least iOS and then in the weeks after that on Android. And so, that's basically an example of our standalone app pipeline affecting the larger core MeetMe app. But there is other examples, as well. And of course, when we're looking at these standalone apps, we're looking at them, both as, because we believe they could be independent, but also because we're interested in the concepts behind them and how they will do, and we view our ability to create these apps to be relatively, we could do so relatively inexpensively with a relatively smaller team. And so it's a good hotbed of innovation for us.

RON JOSEY: And so if I could follow up on that, do you need a lot of adoption to see if an idea would work or not, or do you think like a relatively small sample size is enough to sort of say whether to continue to push marketing dollars behind it or to include it in the core MeetMe app?

GEOFF COOK: Relatively a small sample size and we are advantaged in that we have built a number of channels into the core MeetMe app to drive users to the standalones, and so, we could easily put tens of thousands of users on any given app, in order to start developing some conclusions.

RON JOSEY: Great.

DAVID CLARK: So on the marketing question Ron, where we spend to try to attract users is usually app install ads on places like Facebook, and I think that though the increase in impressions in the quarter really did not have a lot to do with that spending, but more the fact that in the first quarter, for the full quarter, unlike last year, we had the native feed ads on our mobile apps, and I think that helped drive the impressions on the mobile apps, more so than really anything else. Obviously, the higher CPMs also contributed to the increased revenue.

RON JOSEY: Sure. Thank you guys.

GEOFF COOK: Thank you.

OPERATOR: Our next question will come from Darren Aftahi from Northland Securities. Please go ahead.

DARREN AFTAHI: Hey guys. Thanks for taking my questions. Just a couple. Can you kind of help me figure out, so impressions grew 7% quarter-to-quarter. Were CPMs you were seeing on banner and native, did those step down sequentially? I'm just trying to rectify the math.

DAVID CLARK: No, I mean, are you talking about mobile or web, Darren?

DARREN AFTAHI: Mobile, specifically.

DAVID CLARK: No, I mean, you know, we can't say exactly what's in the Pinsight deal, but the Pinsight deal would have sort of tempered any step down sequentially from a CPM perspective. I guess we'd have to delve into how you're looking at the numbers just to try to get behind how you're seeing any sort of step downs in CPMs, because we've got pretty good visibility, very good visibility to the CPMs on mobile as a result of the Pinsight deal.

DARREN AFTAHI: Gotcha. And then, Geoff, maybe, could you talk about some actions you're planning to take throughout the year to drive DAU beyond Chat or are there tentacles to Chat going forward? And then what are your thoughts on monetization of Chat? I think you, I think in talking with you anecdotally you said you do some stuff with banner, but is there an opportunity for native on Chat? I know it's early, and if that was the case, what sort of timing?

GEOFF COOK: Sure. So, we've seen the, I'll take the second question first, the monetization possibilities in Chat. So Chat does have advertising within it, and we, so we do directly monetize Chat page views and screen views. And we look to, and then, the other way we monetize Chat is that Chat drives more DAU, so as users come into the app, they view paid screens and beyond obviously just the Chat. They view profiles and they view the menu and so forth. And so we basically monetize Chat both directly through increased screen views of the Chat-related screen, which we are seeing very nice gains in, as well as indirectly through just enhanced DAU. In terms of how we would continue to drive DAU, when we say we're looking to improve Chat, we mean it in kind of the broadest sense, both as a feature, of course, with continued investment in improving the feature, making it faster, making it stronger, ultimately driving more Chat, but also by improving the ability for other features, other apps within the core MeetMe app to drive discovery of users. Because ultimately what our engagement model is about is putting two users, connecting two users to each other so they can chat. And so we have a number of plans to improve how discovery of new users works that we believe will ultimately lead to more Chat.

DARREN AFTAHI: Great. And then maybe one last one. You know, David, can you give us a little bit more color on the bad debt in the quarter?

DAVID CLARK: Yeah, it was a write down of approximately $150,000 from a, this is very rare in our case, we don't generally have much in the way of bad debt, this was just an outlying case and they had not paid in about 6 months, so we, we just took the write down. Not something that's expected to recur.

DARREN AFTAHI: Great. Thank you.

GEOFF COOK: And Darren, sorry, just to clarify, total mobile impressions were up in Q1 sequentially. I thought your question might have suggested they were down sequentially.

DARREN AFTAHI: Yeah, I can take that offline, but appreciate it. Thanks.

GEOFF COOK: Yep.

OPERATOR: Again, if you would like to ask a question, please press star (*) then one (1) on your touchtone phone. If you are using a speaker phone, please pick up the handset before pressing the keys. To withdraw the question, please press star (*) then two (2).

Our next question will come from John Blackledge from Cowen and Co. Please go ahead.

JOHN BLACKLEDGE: Thank you. Just a couple questions. Maybe could you discuss the user engagement trends, either from what you're seeing on a time-spent basis by users, either year-over-year or Q-over-Q, or both; and then I don't know if you've given out the mobile DAU to MAU ratio and trends there, and then just a follow up question on the marketing line item. Did you say that you started doing mobile app installs on Facebook in 1Q, and then just wondering how efficient that was versus other advertising channels, and if you'd continue, if that would continue to be part of the mix, the advertising mix going forward? Thank you.

DAVID CLARK: John, David Clark here. So just the last one first. We have been using, Facebook app install ads for some time now, all through last year. We find it to be a pretty good channel, and we would expect to continue to use it for the balance of this year as well. I don't know if that's what you were looking for, but, it was not new in the first quarter for us, at all.

JOHN BLACKLEDGE: Okay and it was, okay. Okay, that's helpful.

DAVID CLARK: We just are spending a bit more, as a proportion of revenue than we were spending last year.

JOHN BLACKLEDGE: Okay. Great.

GEOFF COOK: To address your other question about engagement trends generally, also DAU/MAU trends, what we're seeing in terms of engagement trends generally, at least for Q1, is on mobile screens and visits, I believe Quantcast kind of bears this out, but visits and uniques being up single digit percentage. We're seeing internally, I believe, a small single digit percentage increase in screens on mobile. And in terms of DAU/MAU trends, more recently what we're seeing is that the uptick that was caused essentially by the Chat releases and the ephemeral seem to be actually driving up the DAU/MAU number. While we only launched these improvements over the course of April, we're seeing, at least on Android, which got the update relatively earlier in April than later, tick up from 33% in March DAU/MAU to around 36% in April; and obviously we don't know where that will end up, but we are starting to see some of, some movement in that DAU/MAU ratio towards higher levels.

JOHN BLACKLEDGE: That's great. Maybe just one follow up and then, it's kind of just a higher level. How should we think about, or how do you guys think about the overall kind of addressable market for users, what the TAM (Ph) is and where? Where do you think it can go for either the core app or just the suite of apps going forward? Thanks.

GEOFF COOK: This is Geoff again. So the, we view the mobile services as really as to make new friends and meet new people, and we think that's activity that tends to skew relatively younger, so we have called our core demo really 18 to 30, in the past. And there is 50 million such users 18 to 30 in the U.S. There's more than a billion worldwide. Right now we're at about a million users logging in every day, and around 80% of that or more is inside the United States. And so we feel like we're really just scratching the surface on the total addressable market.

JOHN BLACKLEDGE: Thank you.

GEOFF COOK: Thanks.

OPERATOR: The next question will come from Blake Harper from Wunderlich Securities. Please go ahead.

BLAKE HARPER: Yeah, thanks. I had two questions, gentlemen. I wanted to follow up on the question about the CPUs, I'm sorry, CPMs, and as you reported higher average revenues per user on mobile, how much of that is driven by the CPM trends and higher pricing, and how much is more on the higher ad loads or number of impressions per user?

DAVID CLARK: We'll see if we can get you that breakdown, but it really is both. As I said, we not only have the benefit of the Pinsight agreement, which takes some of the seasonality out of the CPMs for us, but we also have the fact that the native ads were not, the native mobile ads were not in place first quarter of last year, so we can work up a proportion — what we have is impression increasing year-over-year at 78% while CPMs increased about 100%.

BLAKE HARPER: Okay. That's helpful. Thanks a lot. And then, Geoff, you had mentioned too about the churn on online subscription dating models, and I just wanted to see how that compares to your type of churn, and how you view the churn and the average tenure per user of MeetMe versus kind of some of those online dating sites that you had mentioned?

GEOFF COOK: Sure. I mean, one of the things we see is that our DAU/MAU ratios tend to be quite high, so 30% or better, especially on mobile. And that's one of the key ways we look at retention is the measure of how many monthly users log in every day, and if, I believe if you were to look at the DAU/MAU on a subscription dating site, I think they would tend to be much smaller. I mean, if you look at even obviously the largest social subscription dating site Match.com, it has 3.5 million albeit paid subscribers, there are only 3.5 million such people to really match at any given point, and what we really focus on is creating this feel of the neighborhood bar, this friendship-making capability, and we have nearly 5 million monthly users, and we feel like we're in relatively early days in our model. We don't have a marketing spend that needs to acquire tens of millions of users each year just to churn them out in the subsequent year. So, I mean, overall, that's the way we view it. We really create the entire experience around increasing the number of, the amount of engagement which allows us to show additional advertising, which allows us to make the free user ad-supported model really work, and that's why I think you don't see that ad model work in subscription dating, because there's just not a high level of engagement to support it.

BLAKE HARPER: Okay. Thanks for taking my questions.

OPERATOR: Your next question will come from Bill Sutherland from Emerging Growth Equities. Please go ahead.

BILL SUTHERLAND: Thanks a lot. Dave, I just have a couple, actually. One number question for you David is in the web trend in DAU and ARPDAU. I had to jump off actually at one point. Did you already provide that?

DAVID CLARK: Yeah, on the call, in terms of what's contributing to that, I mean, there is just a seasonal step down in CPMs on the web. It's quite common from fourth quarter.

BILL SUTHERLAND: Well was it, I guess, well first of all I was curious what the actual numbers were, and then second, if it was simply within the band of seasonality?

DAVID CLARK: Web ARPDAU $0.109 in the quarter, the fourth quarter of 13 web ARPDAU was what $0.13?

GEOFF COOK: Something like that, yeah.

DAVID CLARK: So, it's, I think it's within a seasonal step down for CPMs. We're seeing, you know, we're seeing impressions come down to, but ARPDAU in particular would be affected by CPMs in the first quarter.

[Inaudible]

DAVID CLARK: And the Beanstock deal provides for a seasonal step down as well, Bill.

BILL SUTHERLAND: Okay. And then you know, with the DAU growing so nicely for mobile, and with the Pinsight deal, should we think about ARPDAU kind of remaining in this, in this $0.07 band for the rest of the year?

DAVID CLARK: Yeah. I mean, yeah.

BILL SUTHERLAND: Okay. And then finally, [multiple voices] Yeah, go ahead.

DAVID CLARK: I said we've got pretty good visibility on CPMs as I said, especially on mobile.

BILL SUTHERLAND: But I mean, as far as any additional increases from this level

GEOFF COOK: Yeah, uh, this is Geoff. To the extent we see ARPDAU growing, it would be probably later in the year as we launch additional virtual currency-related products to further drive ARPDAU.

BILL SUTHERLAND: Okay. And then last, Geoff, you, you've gotten some good information out of Choosy and Charm. Do you continue with those, or do you move your resources to a couple of new ones, just to do further testing at this point?

GEOFF COOK: Yeah. So, a good question. We have already put our resources on new apps in the hopper, so, I think we learned what we could from Charm. Choosy has some level of resource, albeit much lower assigned to it, but in general, we're working on the next, the next slate.

BILL SUTHERLAND: Great. Thanks guys.

GEOFF COOK: Thanks Bill.

OPERATOR: Again, if you have a question, please press star (*) then one (1). Our next question will come from Jeff Osher from Harvest Capital. Please go ahead.

JEFF OSHER: Yeah, hey guys. I apologize; you've probably covered this already. I've been jumping between calls, but sequentially, you said mobile impressions were up high single digits, or what, what was the actual number, David?

DAVID CLARK: Jeff, of course I closed that one.

JEFF OSHER: Sorry,

DAVID CLARK: Sequentially, 7%.

JEFF OSHER: 7%. So, just help us with what you can, reconcile the sequential decline then with Pinsight, having a full quarter benefit of Pinsight with impressions up 7, just walk us through either the CPM delta or whether it was some function of native ads declining. Just help us understand what the mobile revenue change, given the up 7% sequential impression metric, how we pencil that in?

DAVID CLARK: Yeah. I mean, we, obviously Q4 is strongest quarter from a CPM standpoint. We did not have the Pinsight agreement in place in the fourth quarter. So CPMs in general when you go from Q4 to Q1 now, are essentially flat CPMs, so there really wasn't a decline and there was, as I said, an increase in impressions, so, are you focused on the ARPDAU? Or?

JEFF OSHER: Yeah, I mean, presumably ARPDAU, on flattish users flows into the aggregate mobile revenue number, and so I'm just trying to reconcile the 4.7 and the 5.1.

DAVID CLARK: Oh, you know what? What I didn't mention, remember in fourth quarter for virtual currency on mobile we had that…

JEFF OSHER: Oh, you had the breakage.

DAVID CLARK: Yeah, yeah…

JEFF OSHER: That's right. Yeah, that's actually, I think there were some other analysts on the call trying to reconcile that, as well, so

DAVID CLARK: Yeah.

JEFF OSHER: Okay. so you had the currency breakage that was a one-time benefit, so if we net that out, even with the seasonal headwinds going from your strongest quarter in Q4 to your weakest quarter in Q1, netted a currency breakage you still would have seen something like 5% mobile revenue growth.

DAVID CLARK: Yeah.

JEFF OSTER: Great. Okay. Thanks guys.

OPERATOR: Again, if you have a question, please press star (*) then one (1). We do have a question. It will come from Amit. Please ask your question, sir.

AMIT DAYAL: Thank you. Good morning guys. Most of my questions have been answered. Just one question regarding the Chat feature launch recently and its ability to improve engagement for the less frequent users, could you provide some color on what the activity on that side has been?

GEOFF COOK: Sure. So Chat's ability to re-engage less frequent users comes down to the ability for the overall MeetMe app to have the more engaged users chat, and actually reach out with, reach out to the less engaged user. So I would say that the current Chat improvement was really aimed at the engaged user and having more engagement out of the engaged user by having the Chat be much faster, by adding visual Chat. I would say future, including releases coming out as soon as this month, are aimed at improving the discovery of users, which will lead, we think, to more chat pairs, essentially. So the more engaged users will be reaching out to more users, both engaged and less engaged. And so, that will be a way of re-engaging the user. Because ultimately, the way Chat re-engages a user is let's say you have a given user who is not as engaged, hasn't logged in recently, to the extent they receive a Chat from another user, they will tend to receive a push notification on either iPhone or Android to come visit the app because they have a chat waiting for them, which tends to be a very strong message and very good at getting a user back. And then when they do follow that push notification and come back into the app, because the chat product itself is now much upgraded, they're likely to send more chats than they would have otherwise sent. And so, ultimately, that's how Chat can benefit the less engaged users as well as the more engaged user.

AMIT DAYAL: Just a segue a little bit Geoff, in terms of how the team thinks towards introducing new features and new apps, et cetera, are we playing catch-up a little bit with features and offerings that are already out there in the market, like Snapchat, Ephemeral, etcetera? Or are we really thinking about putting out products that are cater towards how MeetMe is positioned, with its end users? Could you give us some color on what that process is, and I guess a little bit of it plays into your standalone apps, but overall, how should we think about what you are doing relative to competitors in the market?

GEOFF COOK: Sure. And so I'd say we're focused on owning that meet-new-people use case. And if you look at somebody like, like a Snapchat, for example. You know, that's not the fun fundamental use case that they're pursuing. And so we certainly have our eyes open in terms of features and functionalities that might exist in other contexts that could be applied to the core MeetMe app. And I think Ephemeral is one that was correct. And I think we may well be the only meet-new-people, at least I don't know of another meet-new-people service that has ephemeral photos yet, although I can't imagine that would remain true for long, given what we're seeing in terms of their popularity. So I think the way we think of our own product is how do we lead to, how do we get more chats, how do we make more connections? How do we facilitate more interactions among our users? And how do we make sure that we have the best-of-breed features available for them to use? And so that's always going to be a combination of independent brainstorming and innovation, as well as keeping abreast of industry trends and the market itself.

AMIT DAYAL: Thank you.

GEOFF COOK: Thanks.

OPERATOR: This does conclude our question and answer session, and the conference is now concluded. Thank you for attending today's presentation. You may now disconnect.