

MeetMe, Inc,
"Fourth Quarter and Fiscal Year 2013 Earnings Conference Call"

Friday, March 14, 2014, 10:30 AM ET

Geoff Cook

David Clark

Joe Hassett

OPERATOR: Good morning, and welcome to the MeetMe, Incorporated Fourth Quarter and Fiscal Year 2013 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question you may press "*" then "1" on your telephone keypad, to withdraw your question, please press "*" then "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, Gary, and good morning, everyone. Welcome to MeetMe's fourth quarter and full year 2013 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, believes, plans, 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 filed with the Securities and Exchange Commission. MeetMe is making these statements as of March 14, 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 fourth quarter of 2013 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 to everyone joining today's call. Q4 marked a turning point in our transformation to a mobile business. Today, mobile average revenue per user per month exceeds web average revenue per user, a milestone

that did not seem likely just one year ago. We believe the improvement in mobile monetization is a direct result of our team's success in launching new products, including native advertising, freemium products and enhanced subscription services throughout 2013.

If 2013 was the year of mobile monetization; 2014 is the year of the user. We intend to accelerate our user growth, through a number of exciting launches intended to make it easier and faster to meet and chat with new people. We also intend to increase our investment in user acquisition as a result of rising mobile ARPU.

We feel we are in an early stage of a tremendously large opportunity, to be the mobile version of the bar or coffeehouse; the service of choice among youth to find fun new people to meet and chat with. Our end goal is to be the conduit for connecting people to each other for the 50 plus million people aged 18 to 30 in the United States and the one plus billion people worldwide.

I will reflect first on our progress in 2013. I will then move on to provide more detail on our strategy for user growth in 2014. And I will conclude with why we believe MeetMe is well positioned to capture the opportunity.

First to recap 2013; we successfully built a number of strong mobile monetization products in 2013. Our mobile native advertising product, launched in March of last year, accounted for 29% of mobile revenue in the fourth quarter, which we believe is a result of both increased ad impressions and stronger CPMs, on native units, versus traditional mobile banners. This 29% share of mobile revenue from native advertising is up from 3% in Q2 and 19% in Q3.

In addition to launching native advertising; we also rolled out new freemium products and subscription enhancements driving a 110% increase in mobile virtual currency revenue in 2013 versus 2012.

Together, we believe these new products resulted in mobile ARPU of \$2.01 in Q4 versus \$1.41 on the web. Compared to a year ago, mobile ARPU increased 91% from \$1.05. We are now a leader in mobile monetization, comparing favorably to even Facebook's Q4 mobile ARPU of \$1.31. We credit a diverse monetization infrastructure, spanning advertising and virtual currency for this dramatic progress.

Our mobile users login 100 times a month on average versus nine times a month on the web. We are excited to now see mobile's higher level of engagement translate to higher levels of monetization. And we believe we can see further improvement in mobile ARPU through continued product innovation, launching new engaging features that drive even more sessions per user per month.

The more sessions we generate from users, the greater the mobile monetization; as the average of mobile user currently views ten ads per session or roughly 1,000 ads per month. Altogether, our mobile users have viewed 8.1 billion ads in the fourth quarter, up 55% versus a year ago.

We saw a continued improvement in mobile CPMs in 2013 as well, with native advertising CPMs up 54% to \$0.74 in Q4, and banner advertising CPMs up 32% to \$0.29 in Q4. We also saw evidence of continued convergence between mobile and web CPMs as native mobile advertising CPMs averaged 84% the rate of web CPMs in Q4 versus 59% the rate of web CPMs in Q3.

In 2013, we also launched the first of our standalone apps. We consider our standalone apps to be the tip of the spear in innovation, enabling inexpensive and fast product iteration. As a result, we are able to learn quickly what is working and what is not, and apply that learning to the MeetMe core app, while also benefiting from the growth of the standalone app itself. And we are already starting to see innovations developed on a standalone basis, make their way into the core MeetMe app's product pipeline. In fact, we expect the first of these features to be live in Q2.

Based on the data we have seen in the standalone app; we believe the feature has strong potential to deliver higher sessions per user per month in the core app. Of course, we also developed standalone apps to literally stand alone, as exciting, meaningful apps in their own right. In general, we plan to promote one new standalone app per quarter and to also make decisions to shutdown apps that do not achieve traction within the first six months. We believe six months enables a few iterations to the product to find a market fit.

To-date, Charm and Choosy have been cross promoted to the Android MeetMe user base, and we expect iPhone promotion to begin in the next few weeks. Choosy has achieved the most traction to-date, with more than 100,000 installs, and consistently ranking within the top 50 to top 100 social Android apps.

Next, I would like to take a moment to address our strategy for user growth. Over the years, we have grown our audience from zero to over one million daily users, primarily on the basis of our repeated success in creating new engaging products and then continually improving them.

Throughout the years, we have seen trajectory changing increases in DAU, based on launches of innovative new products, and we expect to continue to see that in the future. With the acceleration of our audience to mobile platforms and away from web over the last 18 months, our team focused primarily on mobile monetization in 2013. That shift in focus manifested itself in the DAU number.

In the fourth quarter of 2013, average mobile DAU to the core app was roughly flat to a year ago at 773,000 users, while total DAU averaged 1.1 million users. With the mobile monetization infrastructure now built, the product team is singularly focused on DAU, and on building the types of products that have enabled us to grow from zero to one million daily users.

In the past, we have seen two types of product initiatives significantly improve DAU. Those aimed at increasing the rate of viral spread and those aimed at driving more activity. In 2014, we have a deep product pipeline aimed at both.

As of earlier this week, we launched an update on both iPhone and Android to encourage users to leverage their mobile phone contact books to invite their friends to MeetMe. By sending invitations to their contacts, users can earn MeetMe credits. The release is intended to incentivize referrals among MeetMe's users. This release is in keeping with a long tradition of viral product development within MeetMe. We have seen the importance of cultivating viral channels at various points throughout our history.

In 2008 and 2009, we built a top Facebook app that leveraged the hyper viral nature of the Facebook platform at the time. In 2010 and 2011, we drove as many as tens of thousands of new users a day through email address books.

This week's releases on iPhone and Android reflect the fact that the MeetMe audience is now more than 70% mobile. As a result, the viral channels that matter most to MeetMe are now also mobile. We will be promoting the feature in multiple ways, including a prominent free credits button placed in the MeetMe menu, and a large ad that will display to all active users of the app.

Within the coming weeks, we will also be launching the most significant upgrade to our app in its history. Chat is not only the most used feature of the MeetMe app, it is also the key to our engagement model, with more than 50% of daily users sending a chat and more than 75% receiving a chat every single day. We believe chat is one of the most efficient ways to drive visits and this is easy to understand why. If user 'A' sends a chat to user 'B', that will trigger a push notifications to user 'B', who will return to the app to see the chat and likely respond to it, thereby re-engaging user 'A.' The power of this simple model is evident in the high DAU to MAU ratios of dedicated chat apps such as WhatsApp.

The DAU to MAU ratio, measures the proportion of monthly users who use an app every day. WhatsApp is said to have a 70% DAU to MAU ratio, significantly higher than MeetMe's current ratio of 30%. We believe there are relatively straightforward changes we can make to our chat system to increase the number of chats sent and drive increased DAU. These changes are aimed at retaining users longer and not losing users who connect on MeetMe to dedicated chat apps like WhatsApp.

In the coming weeks, we plan to make chat significantly easier, faster and more powerful for meeting new people. In particular, we plan to add real-time components, including real-time typing and status indicators to enhance our current product. Our current chat feature is not built with real-time chat in mind and instead was a port of our web-based messaging platform. The new chat system is built to enable real-time communications, similar to iMessage style conversations.

In addition to upgrading our chat with real-time components; we also intend to differentiate our chat product around the meet-new-people use case. In particular, we plan to launch ephemeral photo-sharing directly within the chat conversation. The ability to share photos within messages is one of the most requested features from users.

In fact, a recent survey indicates that 89% of the MeetMe users would like to be able to share photos within chat. Our photos will expire Snapchat style; after a user defined period of seconds. Ultimately, we believe a differentiated chat offering will retain users longer and make it less likely they will migrate their conversation to a third-party chat app.

While this upcoming release is aimed squarely at upgrading and differentiating the MeetMe chat experience, 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% of new matches led to a chat conversation. Given there are more than 2.2 million new friendships a day and more than 1.4 million new matches a day, we believe there is a significant opportunity to increase chat volume by simplifying the product and removing any barriers to chat.

It's worth noting that improving the DAU to MAU ratio will do more than simply grow DAU, it should also naturally lift ARPU. As users log in more, they view more ads per session and spend more MeetMe credits. As a result, the average revenue

per user per month should grow proportionately with the increase in the DAU to MAU ratio.

We also plan to invest more heavily in user acquisition and in mobile products in 2014. As mobile ARPU has increased, mobile lifetime value has increased as well, enabling more effective marketing spending. As a result, we intend to increase the user acquisition marketing spend from 3.6% of revenue in 2013 to approximately 7% of revenue in 2014. We also plan to invest more heavily in mobile products in 2014 expecting to grow headcount by 15% or approximately 20 people, primarily to expand the size of the mobile development team. We expect to remain profitable and self-funding despite these investments.

Now, about the opportunity itself; MeetMe is the bar or coffeehouse, a casual gathering place for a mobile generation. We seek to build the most engaging experiences for the largest numbers of users. We are unashamedly free, monetizing via an industry-leading mobile monetization infrastructure. We are vastly different from companies such as Match.com, Zoosk and Spark.

For one, 90% of people prefer to start relationships as friends. Friendship is ultimately a filter for finding a relationship. The difference between a subscription dating site and MeetMe is a difference between a singles bar and the neighborhood bar. People feel comfortable using MeetMe to make friends, socialize and chat. It is this comfort level that drives higher engagement and retention.

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. We believe the subscription dating model is ultimately compromised because it leads to massive churn by its nature.

MeetMe has a singular focus on attracting and monetizing the vast majority of eyeballs through superior products. We are not burdened by legacy subscription products, and we believe we are as well positioned as any company to build the global brand for meeting new people.

We go into 2014 with a great business; a large addressable market, and a strong and rapidly improving product. I am honored to have the opportunity to work with such a talented team and helping to build the leading social service for meeting new people. And I look forward to executing against an ambitious product pipeline to make 2014 the year of the user.

With that, I will turn it over to David.

DAVID CLARK:

Thanks, Geoff. The fourth quarter was a rewarding conclusion to a year of significant change, with solid results on both the top and bottom line, as we exceeded the high-end of our original revenue guidance, increased adjusted EBITDA for the third consecutive quarter and generated positive GAAP earnings.

As you can see by the slide deck now posted on our website; total revenues for the fourth quarter was \$13 million, up 12% from \$11.6 million in the fourth quarter of 2012, representing our first quarter year-over-year growth since 2012. Growth was led by mobile where revenues rose 128% to \$5.1 million for the quarter, mostly on the strength of advertising. Revenue in this quarter includes approximately \$600,000 of virtual currency sales previously collected but never used by the purchaser.

Prior to this quarter, GAAP required we defer recognizing this revenue until we had accumulated sufficient buying and usage data. At nearly 40% of total MeetMe revenue and growing rapidly, mobile revenue are poised to contribute strongly to our growth. Our goal is to continue to grow our mobile business while also managing the decline in our web business. Web revenue was \$5.6 million in the quarter, seasonally up from the third quarter.

Adjusted EBITDA was \$2.4 million for the quarter or better than an 18% margin. We think our performance clearly indicates the operating leverage in our business and suggest the type of dramatic EBITDA margins we may be able to deliver at scale. Compared to a year ago, our adjusted EBITDA in the quarter more than doubled. After a difficult first quarter last year, we increased adjusted EBITDA each subsequent quarter and over that period generated an aggregate \$3.5 million in adjusted EBITDA.

Adjusted EBITDA for the fourth quarter adds back \$1.1 million of depreciation and amortization, \$1 million of stock compensation and \$270,000 of interest expense. A reconciliation of GAAP and non-GAAP measures such as adjusted EBITDA is included in our SEC filings and the appendix to the presentation posted on our website.

Our costs are mostly labor and technology, which are primarily fixed. So in our model, we have the opportunity to flow a lot of incremental revenue to the bottom line. However, since our intermediate goal is to grow the business we will seek to increase investment in areas that should help accelerate user growth.

As an example, in the fourth quarter, while ongoing general and administrative expenses were down 9%, product and content development costs were up 3%. We are increasing spending in the areas that represent investment in our future, and we intend to continue to invest wisely in new standalone apps, improvements to the MeetMe core app and other projects directed at accelerating top-line growth.

Seasonally, the fourth quarter is traditionally our strongest quarter from both a revenue and margin perspective. Consequently, I expect margins to step down as we begin 2014 due to seasonality and as we invest to grow users and engagement.

We ended the quarter with cash and cash equivalents of \$6.3 million. This is right in the middle of the range we forecasted last quarter, when we indicated we were dispersing cash for previously accrued severance payments to our former CEO and CFO in the fourth quarter. Based on our current expectations, we believe we have sufficient cash on hand to meet our current growth plans.

For the full year, we achieved revenues of \$40.4 million with mobile revenues more than doubling compared to fiscal 2012, and reported another year of positive adjusted EBITDA, \$1.8 million for the year. Adjusted EBITDA for the year adds back \$4.4 million of depreciation and amortization, \$3.8 million of non-cash stock compensation and \$848,000 of interest expense. As Geoff mentioned, 2013 was a year of transition to a mobile focus and we signed two important contracts during the year to help advance our agenda.

We believe our agreement with Pinsight Media will improve our historical CPM rates across our entire mobile platform. If this arrangement had been in effect for the full year of 2013, we estimate it would have driven an incremental \$4.1 million in mobile revenues over the course of that year. We finished integrating Pinsight

into our systems in December and Pinsight now buys nearly all of the mobile inventory we generate on our core MeetMe app.

Our agreement with Beanstock should also provide an improvement and better visibility to help manage the decline in our web business. We do believe Beanstock has helped to somewhat alleviate the web decline, but the preponderance of our users are opting to access MeetMe through mobile devices and that speaks for itself. While we generate over five billion web impressions per quarter, mobile impressions already exceed eight billion per quarter, surpassing web and it's demonstrating how users...mobile users generate significantly more engagement.

Now, turning to guidance; we anticipate our typical seasonal step-down for the first quarter. We expect first quarter revenues to grow roughly 20% year-over-year to approximately \$9.4 million with the growth driven by the success of our 2013 mobile monetization products. For the year, we anticipate revenues in the range of \$42 million to \$47 million, which at the high-end would represent a 17% increase over 2013. We expect our growth engine will be mobile revenues offsetting a decline in web revenues.

As Geoff mentioned; we intend to spend money to attract the most profitable users as we see opportunities in the market. That said, under our current plans we do expect to be EBITDA positive and self-funding in 2014, including the reduction of \$2 million in debt over the course of the year.

As Geoff noted; the fourth quarter really marked the turning point in our transformation to a mobile business. At the beginning of the year, we did not expect mobile monetization to exceed web monetization by the end of the year to the point that now financially, not just strategically we prefer mobile users to web users. We achieved this milestone through timely launches of strong mobile monetization products. In 2014, our team is singularly focused on growing usage and capturing the vast addressable market which we serve.

With that, Gary, you can now open it to questions and answers.

Q&A

OPERATOR: We will now begin the question and answer session. To ask a question, you may press "*" then "1" on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "*" then "2." At this time, we will pause momentarily to assemble our roster.

Our first question comes from Darren Aftahi of Northland Securities. Please go ahead.

DARREN AFTAHI: Hi, guys. Thanks for taking my questions, I have just a handful. So it looked like CPMs on native were up, I think 57% quarter-on-quarter. And I think my notes are right, so that number was around \$0.74. Can you give us a sense for that figure vis-à-vis, you know, your Pinsight on banner and as well as the \$0.29, I am just, I am trying to correlate that to your guidance and then I have got a handful of others. Thanks.

DAVID CLARK: Yes, we...contract can't actually specifically give the CPMs embedded in the Pinsight deal. But we you know, that's why as we said it's at least 15% higher than what we have seen historically and actually you know, the \$4 million represents 30% higher mobile revenues in 2013 had the deal been in place.

DARREN AFTAH: Great. And then, you know, you talked about the native advertising as a percentage of revenue. What was it as a percentage of total mobile impressions?

DAVID CLARK: Hold on.

WILLIAM ALENA: Total mobile impressions through Q4 were just over eight billion.

DARREN AFTAH: Then how much of that was native, do you have a...?

DAVID CLARK: That's Bill Alena talking, Darren.

DARREN AFTAH: Hi, Bill.

GEOFF COOK: Yes, hi. This is Geoff. So Q4, native impressions were 1.94 billion compared to traditional mobile banner advertising impressions of 6.1 billion.

DARREN AFTAH: Got you, and then to the chat upgrades. So you know, it sounds somewhat WhatsApp, Snapchat, and I think you had said, you know, photos will disappear rather quickly. Can you give us a sense for your plans to kind of monetize chat if that's going to be the most highly sort of engaging element of your application, when you say people will spend more time on the application, I mean, number one, are you monetizing chat today and number two, what are your kind of...what's your roadmap for monetizing that element of the app?

GEOFF COOK: Sure. So yes, we do monetize chat today. Chat also has advertising built within it. Today, that advertising is the form of the traditional mobile banner advertising, not the native advertising. We do see opportunities for native advertising in chat, although we haven't rolled anything out yet. You know, I know some has been said about, you know, is advertising the right way to monetize chat, and I think, part of the reason you know, I think WhatsApp might not have gone down the advertising monetization route, it's just the composition of its audience tends to be in markets that have relatively small advertising market sizes, so like India and so forth. And so, you know, we would expect to leverage advertising, but to also leverage freemium products as well. So we have in our pipe, credits based freemium products that we think it could be...could come into chat, you know, we are very aware of what other chat apps are doing with respect to sticker packs and other sorts of freemium products within their chat system. So I think ultimately, chat monetization doesn't look all that different from the MeetMe monetization today.

DARREN AFTAH: Great, and then two more. So you had mentioned marketing going up from I think 3.6% in 2013 to 7%. I think you guys breakout your line item as sales and marketing, and if my math is right, that was 19.3% in 2013. So can you help me reconcile the kind of the math there in terms of where you spent on marketing?

DAVID CLARK: Well, marketing is 3.6% of revenues. The rest in that is things like sales commission, sales staff. Is that what you are trying to build to?

DARREN AFTAH: Yes, I guess I am asking the question in the sense that, you know, how fast is the aggregate number going to ramp vis-à-vis your doubling of marketing?

DAVID CLARK: How fast is it going to ramp? In other words, we are actively looking to spend you know, 5% to 7% of total revenues on actual marketing, and marketing being user acquisition.

DARREN AFTAH: Okay, well maybe just another question to just take offline. And my last one, can you give us what free cash flow was pre-debt service and pre the severance payments out to legacy management?

DAVID CLARK: You want for fourth quarter or full-year?

DARREN AFTAH: 4Q, please?

DAVID CLARK: Hold on just a second. So cash flow from operating activities in the fourth quarter, we have \$900,000.

DARREN AFTAH: Great. Thanks.

OPERATOR: The next question comes from Bill Sutherland with Emerging Growth Equities. Please go ahead.

BILL SUTHERLAND: Thanks very much. Good morning, everybody. I just have a couple more questions after Darren's. I was curious, Dave, in the revenue guidance for the year, if you could give us a feel for the relative weights of the, you know, the three lines we think about there, in terms of their relative growth?

DAVID CLARK: Well, we said that, you know, we think about web revenues as being flat, but more like a slight decline. So you are going to, you know, basically any number you model to, the growth is going to be driven primarily by...actually entirely by mobile.

BILL SUTHERLAND: Well, that's what I was getting at; whether it was offsetting what level of decline to kind of think about for web at this point?

DAVID CLARK: I would say, in our plan, we would sort of be in the mid-single digits, decline in web and that's what we are trying to offset with the mobile growth.

BILL SUTHERLAND: And then, what are your...what's your thinking at either end of that range, just, you know, some of the inputs there the revenue range?

DAVID CLARK: Mix of mobile versus web? Is that what you are saying?

BILL SUTHERLAND: No, not that specifically. Just really more of the factors overall that would lead you more towards the low or the higher end?

DAVID CLARK: Well, okay. Well, obviously it will lead (Ph) to higher end if you are generating more impressions. So as Geoff said, more users mean more ad impressions that means more ad revenue. So I think that the higher end is achieved through...by function of, you know, stepping on the accelerator for user growth.

BILL SUTHERLAND: Because your CPMs are kind of sub...?

DAVID CLARK: CPMs, yes, we have pretty good visibility on CPMs, absolutely.

BILL SUTHERLAND: All right. And I was...I just wanted to see if there is any additional color or update on the lawsuit that was filed earlier in February by the San Francisco City attorney?

GEOFF COOK: Yes, hi, this is Geoff.

BILL SUTHERLAND: Hi, Geoff.

- GEOFF COOK: You know, we have to care deeply about the safety of our users. And so, I just want to comment on that briefly. Our safety team is led by Don Eyer, who has worked with us for a number of years, 20 year veteran of law enforcement, also led Trust and Safety at eBay for a time. We review hundreds of thousands of photos posted to our services every day. We compare the information provided by our users to a sex offender registry. We have a 24x7 team that responds to reports for our users, and works closely with law enforcement when appropriate to assist in their investigations. We also provide various safety education throughout the website and social apps. And there is a full list of our safety practices actually or at least a list of our safety practices at meetmecorp.com/press/online-safety. Regarding the lawsuit specifically, you know, we don't comment on pending litigation. So we have nothing further to add specifically on the matter, but we would direct you to the safety practices at that URL.
- BILL SUTHERLAND: Okay. The only other thing I was wondering about was on the product development side. And I just want to double check what you guided to as far as where that expense is running, that will be up, I mean, we should think about something in the team's , in terms of that cost structure moving up?
- DAVID CLARK: In terms of product development costs? Yes, I mean that's where the 15% additional staffing is going to be done.
- BILL SUTHERLAND: Okay. That's it for me for now. Thanks, guys.
- OPERATOR: Once again, if you have a question, please press "*" then "1." The next question comes from Ron Josey with JMP Securities. Please go ahead.
- RON JOSEY: Great, thanks guys. Thanks for taking the questions. So Geoff, bigger picture question actually on just overall engagement maybe. I know, I think you said mobile engagement is around 10x more than that actually is the desktop on a monthly basis, given mobile users log in a 100 times a month, where do you think that can get to, do you think that gets to 200 times a month, 300 times a month? And then maybe just a sort of [indiscernible]. Can you remind us, how that metrics evolved over the course of the years? Thank you.
- GEOFF COOK: Yes, so, hi, how are you? And this is Geoff. So yes, I think what we would view as reasonable, you know, right now we are looking at a 30% DAU/MAU ratio. I think probably the max possible would be something in the 60% to 70% range, and we don't necessarily view that as realistic this year. But we do believe 20% to 30% improvement in that ratio is possible, and that would obviously naturally increase sessions as well as daily active users by roughly that rate. So that to me provides some sense, you know, could 30% go to 40% by the end of the year, you know, that's a sort of increase we would like to see, but ultimately it will come down to the success of the products themselves.
- RON JOSEY: Sure and so speaking about the successful products, I think you are...one last question here, just you know, your goal of launching an app per quarter, also, you know, you talked about Choosy, Charm and then maybe the improvements to overall chat. Can you give us a sort of how that's been going, I know you are now a quarter into some of these products that you have launched, maybe talk about the progress you are seeing there and where that can go? Thanks.
- GEOFF COOK: Sure, so yes, on the standalone side; we have seen some pretty good traction around the Choosy app. And right now we are at a point where we have promoted to our Android users both Charm and Choosy, but haven't yet promoted to our iPhone users either app. And we are just waiting on an update to our iOS app, as

well as to the Choosy app on iOS to really begin that push. So it's still fairly early days, having only really promoted it to half the mobile audience, although right now on Choosy we are seeing in the top 50 to 100 or so consistently ranking for top Google Play social apps. And, you know, I do think that what we are learning from standalones is actually quite valuable. The ability to launch these products very quickly with a small team, much more inexpensively and quicker than we would be able to do if we were launching it into the core app enables us to prioritize the core app pipeline, and we are already starting to see products coming to the core app pipeline as early as actually Q2, that likely would not have made the pipeline or not have made it that early were it not for data that came in from the standalone apps. So we are starting to see really the standalones be the tip of the spear in terms of our innovation where we will try something very new over there and then see how it goes, take the data from that and either apply it to the core app, iterate the standalone or move on.

RON JOSEY: Great. Thank you very much.

GEOFF COOK: Thank you.

OPERATOR: Once again, if you have a question, please press "*" then "1." The next question comes from Shawn Rassouli with Needham & Company. Please go ahead.

SHAWN RASSOULI: Hi, Geoff, hi, Dave. Thanks for taking my question. Geoff, I know it's relatively early, but can you share with us what you are seeing in terms of user growth or engagement on the core MeetMe app, following the revamp in January? Any color there would be great. And do you feel you will be where you need to be with respect to features and functionalities on the app once you rollout the extended chat features or is this going to be a continuous process where you kind of every few months, you will roll out something new?

GEOFF COOK: Yes, it's a good question. You know, I think we did see some improvement in screen views as a result of the January changes. The January changes were not nearly as fundamental as the March changes are planned to be. So the January changes were especially UI refresh in order to pave the way for what we are going to be doing in March. We did see some improvement in screen views as a result of that in particular within the chat area. In terms of our pace of updates, so beyond this March release, you know, I think we have typically been putting out new app every four to eight weeks, and I think we would look to continue to do that. The pipeline for the core app is pretty deep and most of it revolves around making it easier to find chat partners or reducing the friction to chat for current users who connect to each other either through friendships or matches. And so, you know, I would think, following that there will be a March release, there would likely be an April release, a May release and all of these will be incremental to driving more chats and more DAU.

SHAWN RASSOULI: Okay, that's helpful. The next one might be for Dave, trying to dig deeper into your revenue guidance for 2014. How much are you counting on contribution from new standalone apps in that number, are they included in there or are they going to be...?

DAVID CLARK: No, we have not assumed any monetization on standalones as yet.

SHAWN RASSOULI: Okay, and with regards to those standalone apps, what would be success to you, you know, have Charm and Choosy, and then you are going to have one app every quarter. If we end the year with one successful app, would that be enough or how are you just thinking about, you know, success in terms of new app launches?

- DAVID CLARK: I mean, the ultimate success would be a standalone app generating traction and breaking through the rankings. I think it will take about six months to really see improved traction out on a given app, given the strategy is around getting an app to market quickly, and then being able to iterate that app for a market fit. So I mean in terms of what success looks like, I mean, it ultimately looks like a growing user base with a strong number of users that would be worth our effort at monetizing it.
- SHAWN RASSOULI: Okay, and then one more from me. In terms of cross promoting these apps, you mentioned that you are doing it on Android and soon on iOS. How intense are those efforts, are all users being cross promoted or only a portion?
- DAVID CLARK: On Android, it sits in our main menu. So you can...from the main menu, you would click 'More Fun Apps' from MeetMe and then land on either Charm and Choosy right from the core app. So and then we also promote to new users of MeetMe these standalones. On iOS, we just haven't...we haven't turned those cross promotional placements on quite yet.
- SHAWN RASSOULI: Okay. Thank you.
- DAVID CLARK: Sure.
- OPERATOR: As there are no further questions, this concludes our question and answer session. This also concludes our conference call. Thank you for attending today's presentation. You may now disconnect.