
MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon ladies and gentlemen and welcome to the EDGAR Online second quarter results conference call for 2004, which ended June 30th, 2004. At this time all parties are in a listen only mode and a brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference please press star, zero, on your telephone key pad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ms. Susan Strausberg, President and CEO of EDGAR Online.

Susan Strausberg, President, Chief Executive Officer

Thank you. We want to welcome all of you to this conference call to discuss EDGAR Online's second quarter 2004 results. We'd like to remind everyone that the statements made in this call other than those concerning historical information should be considered forward looking and subject to various risks and uncertainties. EDGAR Online's actual results may differ substantially from the results anticipated in these forward looking statements as a result of a variety of factors including those identified in our annual report on Form 10 Q which will be filed with the Securities & Exchange Commission.

With me today is Greg Adams, our Chief Financial Officer, and Chief Operating Officer, to take you through our second quarter 2004 results.

Greg D. Adams, Director, Chief Financial Officer, Chief Operating Officer

Thank you, Susan. Let me now review EDGAR Online's second quarter 2004 operating performance. Our second quarter revenues were 3.2 million which was down from 4 million in 2003, but up from 3.1 million in the previous quarter. The decrease in revenues from last year were due to discontinuing substantially all of our low margin technical services business. We were able to offset a portion of this revenue by growing our subscription business 16%.

This will be our last quarter of comparable revenue decreases. We expect third quarter revenues will be back to year over year increases.

Also, prior to this quarter EDGAR Online has had sequential quarterly revenue declines in the six of the seven previous quarters. For the second quarter of 2004 we reported sequential revenue increases. We expect that trend to continue throughout 2004 and 2005.

With respect to cash flow, our second quarter EBITDA loss was \$195,000, compared to a loss of \$267,000 in the previous quarter. And our net loss for the quarter was \$782,000 or 4 cents per share compared to a net loss of \$861,000 or 5 cents per share in the first quarter.

Our revenue focus is concentrated in our high margin recurring business segments which are comprised of subscriptions and data fees. They now total 87% of total revenues. In the last 12 months, we have been very successful in selling professional subscriptions to EDGAR Online Pro. In the second quarter, fee based subscriptions were 53% of revenue and our data sales were 34% of revenue. Advertising was 7%, and technical services was down to 6% of revenue, which compares to 25% of revenue in 2003.

Subscriptions will continue to be our primary growth driver in 2004 and 2005, and during the first half of 2004 we started migrating all of our retail customers onto the Pro platform. Our upsell efforts have been very successful to date. And during the migration process we had to recalculate our subscriber count which resulted in an adjustment of approximately 2500 desktops, but there was no related effect in our financial statements.

The number of paying subscribers at June 30th is 24,000. This is comprised of 9,500 EDGAR Pro subscribers and 14,500 subscriptions to EDGAR Online, I should say EDGAR Online Access, our new retail site. When you read our Form 10 Q you will note that the prior year subscriber numbers have been adjusted as well. For listeners that are building models the following are the quarterly subscriber count since last year. At June 30th, 2003, there was 23,800. Third quarter, September 30th, 2003, 23,750. At year end, December 31st, 2003, there was 23,000. At March 31st, 2004, was 23,200 and as I just discussed, at June 30th, our subscribers were up to 24,000. For the remainder of the year we expect continued revenue growth in subscriptions as we add additional functionality to our products, implement price increases and initiate new proactive sales and marketing campaigns.

Moving on to data sales, our second quarter 2004 revenues were down to 1.1 million compared to 1.3 million in June of last year, primarily due to a one time customer billing that was recorded in 2003. At June 30th we had 210 data contracts and new customers in the quarter included Thomson's RIA Division, Financial Dynamics International, and the Philadelphia Stock Exchange.

Our non core businesses, technical services and advertising, were 13% of second quarter revenues. As anticipated, second quarter billings of technical services decreased to \$207,000, compared to \$1 million in 2003. This was due to the NASDAQOnline.com Website which we previously hosted being moved in 2003 out of our Rockville facility and into NASDAQ's facility. As you may recall, technical services was \$206,000 in the first quarter. So for the remainder of 2004 we also expect this revenue segment to stay flat.

Our last segment of revenue, advertising and e-commerce sales, were slightly up from last year and the previous quarter, primarily due to the increase in e commerce activities such as third party product offerings.

Our gross margins have remained strong at 85% which was flat from the previous quarter but down 2% compared to last year. The decrease in our cost of sales percentage is a function of lower revenue in 2004 and additional royalty payments for content such as conference call transcripts and global reports.

Operating expenses excluding amortization and depreciation were \$2.9 million in the second quarter compared to 2.8 million last year. The slight increase is primarily due to additional sales and marketing expenses and costs incurred as a public company.

Our SG&A is comprised of salaries and benefits, marketing, rent, and professional fees. We do not anticipate any significant increases in SG&A for the remainder of 2004. Depreciation and amortization in the second quarter totaled \$592,000 versus \$625,000 in 2003. Over half of our D&A expense is due to the amortization of intangible assets in connection with the acquisition of our Rockville, Maryland technology center in 2000.

The above in combination with interest income of \$5,000 yields a net loss in the quarter of \$782,000 or 4 cents per share. EDGAR Online has not recognized any income tax benefits related to the year-to-date loss. Currently our tax loss carry forwards total over \$20 million.

On to the balance sheet. At June 30th we had a cash balance of \$5.3 million. Our deferred revenue was \$2.7 million, a 30% increase over the same quarter last year, and up 18% from last quarter. This represents subscription bookings that will be recognized as revenue in future

quarters. And also, we are debt free and expect to fund most of our future business needs with cash flows from operations.

With respect to some financial guidance, the company estimates third quarter 2004 revenues to be in the range of \$3.3 million to \$3.5 million, gross margins to be in the 84 to 87% range, and third quarter EBITDA is expected to be in the range of \$150,000 loss to break even. Financial estimates for fiscal year 2004 consist of revenues in the \$13.1 million to \$13.5 million range, gross margins in the 85 to 87% range, and the company's target loss per share for fiscal 2004 is 13 to 14 cents per share, as we continue to strategically invest in our business.

So to sum up, we're encouraged by the continued strength in our subscription business and we have taken major steps forward as an organization to become a trusted brand and enduring partner with our customers. And with that, I will pass it back to Susan to provide a business overview. Susan.

Susan Strausberg, President, CEO

Thank you, Greg. This quarter we continued to grow our high margin subscription business and have stopped the revenue declines in technical services as we projected. Now that we've put the lower margin technical services revenue behind us we expect to show overall top line growth starting in the third quarter of this year. This trend should continue from our effort to grow subscription and data sales.

This quarter we continued to adhere to the growth strategy that I shared with you on our last call. We continue to expand the content and functionality available to customers using our EDGAR Online Pro subscription service and our digital data feeds and continue to grow our relationships with our partners and colleagues such as Microsoft and the AICPA, which is the American Institute of Certified Public Accountants, a complete migration of our mid tier subscribers to our premium platform, and to continue to invest in new product initiatives to secure our position as a cutting edge value added supplier of critical financial information.

For the second quarter of 2004, revenues from our EDGAR Online Pro desktop increased over 35% from the same quarter last year, while our revenues from EDGAR Online Access have remained relatively flat. The overall increase in subscription revenue was 15% for last year. Our high end customized data feeds and API sales have not grown as quickly as we would have liked, but we expect to see improvement in data sales in the third and fourth quarters.

A particularly important metric is that our retention of EDGAR Online Pro subscribers is extremely high. Currently over 94% of our users renew their annual contracts. We believe this is very significant given that this year we introduced a 50% price increase on renewals from a price of \$600 per year to \$900 per year. The absolute dollars per subscriber varies based on discounted rates for multi-feeds, and our new users have been signing on at the new price.

With regard to the Microsoft initiative, the Microsoft Office tool for XBRL prototype was unveiled in Las Vegas at the AICPA technology conference on May 3rd. We're continuing to work on the development of a commercial version of the tool and are on schedule to introduce it to the market of power users of Microsoft Excel in the fourth quarter.

Further, we are developing other spreadsheet applications for Microsoft Office users that will provide even greater flexibility in the analysis of the financial information that we provide. Also, we continue to work with the AICPA to jointly develop the maturation of numerous industry XBRL taxonomies in the marketplace. We expect to complete the XBRL tagging of five years of financial statement data by the end of 2004.

As I'm sure you are all aware, on June 1st we announced the completion of a public offering with Paulson Investments which raised \$4.2 million in net proceeds. We undertook this financing in order to position ourselves for the significant opportunities that we believe lie before us. In order to execute on our vision and gross shareholder value we must concentrate on delivering high end value add services to our customers.

Every day the regulatory environment and new technologies provide us with the raw materials to extract and deliver content that the marketplace demands for deeper and deeper analysis of company reporting. The focus of our organization is on selling our current subscriptions and data services and developing new products and new functionality that will have an even greater appeal to our user base.

Last week, the S.E.C. announced a program to assess the benefits of data tagged with XBRL, extensible business language – reporting language, and its potential for improving the timeliness and accuracy of financial disclosure and analysis of S.E.C. filings. The S.E.C. further announced that it will continue – it will consider an S.E.C. staff proposal to accept voluntary supplemental filings of financial data using XBRL. This voluntary program would enable the S.E.C. to further investigate the types of data tagging currently available in the marketplace.

The commission may propose a rule this fall that would, if adopted, establish a voluntary XBRL tagged filing program beginning with the 2004 calendar year and reporting season. The S.E.C.'s announcement is another validation of the potential revolution in financial analysis, research and reporting. XBRL tagging of S.E.C. disclosures at the source by public companies enhances the ability of those companies to communicate in their own direct way with investors and the financial community and further expands the ability of EDGAR Online to augment their message by intelligent sophisticated analytic solutions for that audience.

As a founding member of the XBRL Consortium, we have long understood the value of XBRL tagging to facilitate the analysis of financial reporting. XBRL can save labor costs, increase financial transparency, and improve the analysis of corporate issuers. We already have tagged all the financial information in our database of fundamental data and as discussed earlier are moving to extend the tagging to five years of as reported financial data. This gives us a significant market lead in introducing content that the marketplace is demanding. This is part of our substantial financial commitment in this area.

Other XBRL initiatives are being put in place by financial regulators around the world including, to name a few, the Inland Revenue and Financial Services Authority in the U.K., Japan's National Tax Agency and Financial Services Authority, and the U.S. Federal Financial Industry Examinations Council which includes the FDIC. We are already involved in the FDIC's Call Report Modernization Project and are working with all the other jurisdictions as they move toward mandating XBRL reporting.

In conclusion, during the forthcoming months we will continue to focus on growing our revenues and further enhancing EDGAR Online as a leader in the new technologies that allow us to bring greater value to our customers. Now let's open this forum. Megan, we're ready for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, ma'am. Ladies and gentlemen we will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone key pad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your hand set before pressing the star keys. Please hold one moment while we poll for questions.

Once again, ladies and gentlemen, if you do have a question at this time, you may press star 1 on your telephone key pad. Our first question is coming from Steve Gear of Westminster.

<Q – Steven Gear>: Good afternoon.

<A>: Good afternoon, Steve.

<Q – Steven Gear>: I had a question. Could you elaborate a little bit on your plans to, you know, to grow accounts, acquisition for EDGAR Pro, because obviously you're going to try to grow your revenues into profitability. What – what are kind of your plans to accelerate revenue growth on the core product growth?

<A – Greg Adams>: On the core product growth of EDGAR Pro, besides the usual tackling we're doing from the 15,000 to 20,000 leads that come to us every month whether they come from Free EDGAR and Yahoo, we are also establishing new partnerships with other companies that will have similar type of leads funneled to us. And I can't comment on specifics yet, but we will be announcing something shortly. But the other part of it is to continue to add more functionality and more intelligence, corporate intelligence tools on EDGAR Pro so we can, you know, have add-ons like conference call transcripts and like global reports. But now we're more focusing in the fundamental data, the analytics arena, the corporate intelligence products. And coming this fall we'll be rolling out several of those products. And it's also in conjunction of our efforts with XBRL of going back and tagging five years of financial information with XBRL tags.

<Q – Steven Gear>: Do you have any metric like an acquisition cost per account or anything that you use on the cost side where you think, you know, your variable costs will be to acquire new accounts?

<A – Greg Adams>: You know, Steve, we – the acquisition cost is always very difficult for us to calculate, you know, other than, you know, keeping the headcount on the sales side and the marketing and the product development. You know we like to say we have very minimal acquisition costs since we do have such a strong pipeline of fresh leads coming to us every month. So to narrow it down to an acquisition cost per subscriber, we don't look at our business that way. We don't measure that.

<Q – Steven Gear>: Okay. And on the sales and marketing side do you have some sort of rule of thumb or what should we be looking for as a percentage of revenues on sales marketing expense for the year? Something around the 19% range or did you want to give us any – you know any color on that?

<A – Greg Adams>: Yeah, the sales and marketing, like you said, it was 19% this quarter. And that will be, probably, fairly consistent. I do have it projecting to go up slightly, as the year continues. But not dramatically. We may increase sales and marketing a little bit more when we do launch some of these Microsoft sophisticated corporate intelligence tools surrounding XBRL. But that most likely will be as Susan mentioned later in 2004, and most of the big push in the marketing span will, most likely, be early 2005 at that point.

<Q – Steven Gear>: Okay. And lastly I had a question, do you have any guidance for the street or do you have an idea of what kind of revenue number you're looking to get to, to obtain profitability?

<A – Greg Adams>: A lot of people are – you know, ask me what – you know, on a quarterly run rate what are you looking at for revenues on the profitability. And pretty much if we get between the 3.9 and \$4 million range on an EPS basis, our profitability should improve. We get to basically EPS positive. I do note too that one big drag is our noncash item of amortization and depreciation which totals between 2.3 and \$2.4 million a year. A fairly large portion of that, about 20% of that in the third quarter of next year goes away. A lot of our intangible assets at that point will be fully amortized. So that, obviously, will help us toward the second half of '05.

<Q – Steven Gear>: What percentage goes away in the third quarter, I'm sorry I didn't catch that.

<A – Greg Adams>: Third quarter of '05, 2005, about 20%.

<Q – Steven Gear>: Okay, that's all I have. Thank you.

<A – Greg Adams>: All right Steve.

<A – Susan Strausberg>: Thank you.

Operator: Thank you. Our next question is coming from Randall Chilton of Fulcrum Investment Management.

<Q>: Hi, Greg.

<A – Greg Adams>: Hi, Randy.

<Q>: Hey, one quick question on the deferred revenues. You said it was 2.7 million at the end of the quarter. Where do you see that, you know, going from here, and what's that mostly attributed to?

<A – Greg Adams>: Yeah, that's one number I like seeing. One of the few liabilities that I like seeing go up on our balance sheet.

<Q>: Yeah, exactly.

<A – Greg Adams>: You know, I do see that increasing between ten to 20%, going forward. It's hard, hard to put an exact number on it but I do see that continuing to increase every quarter as the year goes on. The primary reason why it's going up significantly this year is that we increased our prices on EDGAR Online Pro from \$600 last year list price to \$1200 starting January 1st this year as a list price. We didn't want to double the price for all our existing EDGAR Pro subscribers as they renew in 2004. So we took them from \$600 to \$900, and then next year we'll take it up to the full list price. But every month, you know, everything doesn't renew on January 1st. Everyone had a different start date, all of our EDGAR Pro subscribers. So every month we have a whole batch renewing. And that is, you know, one major factor on deferred revenue increasing, because the EDGAR Pro subscribers are billed annually in advance. And then we recognize that revenue ratably over 1/12 periods.

<Q>: Got you. Okay. And then one other question was, could you just explain a little bit more on these NOLs?

<A – Greg Adams>: Well the NOLs is just the cumulative losses we've had which also incorporates for tax purposes accelerated amortization from acquisitions we've done in the past. Under GAAP accounting, U.S. accounting, you can't recognize any of the benefits, any of the

income tax benefits related to those NOLs for U.S. GAAP purposes until you reach profitability. And thus the bottom line is, we should not be paying any federal income tax for a long time.

<Q>: You're right, how long?

<A – Greg Adams>: It all depends on how profitable we get. But you can look at those \$20 million of NOL's or so and put an effective rate on that of 40% and you know come up to a number between 8 and 10 million where, you know, we shouldn't have to pay tax on net income over the next, you know, three, four years.

<Q>: Okay. And then last question, how many salespeople do you have to date?

<A – Greg Adams>: In the sales group we currently have about 15 salespeople. But they're comprised of what we – the inside sales who are really banging the phones and selling EDGAR Pro, they're also comprised of the outside salespeople who look for the larger sales of customized feeds or application programming interface feeds, and it's also our account management team that go out and train our customers and are basically farmers looking for new business and trying to grow accounts.

<Q>: Got you. Okay, great, well thank you, Greg.

<A – Greg Adams>: You're welcome.

Operator: Sir, there are no further questions at this time.

Susan Strausberg, President, CEO

Thank you all for joining us. We look forward to next quarter's call.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.

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