MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the EDGAR Online Second Quarter 2010 Results. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Philip Moyer, Chief Executive Officer for EDGAR Online. Thank you, Mr. Moyer. You may begin.

Philip Moyer, Chief Executive Officer and President

Thank you, Manny. This is Philip Moyer, President and CEO of EDGAR Online. We want to welcome all of you to this conference call to discuss EDGAR Online’s second quarter 2010 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.

These statements relate to future events and/or our future financial performance and include, without limitation, statements regarding our future growth prospects, future demand for our XBRL business, future innovations in our data and subscriptions business, and the impact of future deployments of capital on any of those developments. These statements are only predictions and may differ materially from actual future events or results. EDGAR Online disclaims any intention or obligation to revise any forward-looking statements, whether as a result of new information, future developments, or otherwise.

Our 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 quarterly reports on Form 10-Q and annual reports on Form 10-K, which are filed with the Securities and Exchange Commission.

With that, I would like to turn it over to David Price, our new CFO, to review the numbers for the quarter.

David Price, Chief Financial Officer

Thank you, Philip, and good afternoon, everyone. In the second quarter of 2010, total revenues were $5 million, up $400,000 or 10% from the second quarter of 2009. Total revenues in the first six months of 2010 increased 584,000 or 7% from the first six months of 2009, principally as a result of an increase in revenues from XBRL filings of 1,673,000, offset by a $1,089,000 reduction in revenues from our data and subscriptions businesses.

Revenues from XBRL filings were $1.7 million in the second quarter of 2010, a $965,000 or 126% increase over the corresponding period in 2009.

For the first six months of 2010, XBRL filings revenues were $2.7 million, a $1,673,000 or 166% increase over the first half of last year. These increases are primarily as a result of the increasing number of companies and the level of detail being required by the SEC for the documents being filed in XBRL format.

We remain confident of the overall growth strategy of the XBRL filings business, but in line with certain factors that we outlined in our press release today, we expect that revenues from filings may vary from quarter to quarter as this market continues to evolve.
Revenues from data and solutions were approximately $1.9 million in the second quarter of 2010, down 204,000 from approximately $2.1 million in the prior year. For the first six months of 2010, data and solutions revenues were $3.8 million, a decrease of $444,000. We have seen a slight increase in the number of new data licenses compared to 2009. The 10% decrease in revenues for both periods was primarily due to the cancellation of part of a large data solutions contract at the end of 2009.

For the second quarter of 2010, subscription revenues were approximately $1.4 million, down $308,000 or 18% from approximately $1.7 million in the prior year. For the first six months of 2010, subscription revenues were $2.9 million, down 645,000 from 2009. The decrease of 18% in both periods was due to the continuing effects of cancellations exceeding new sales and continues a trend that we’ve been experiencing for some time now and that we anticipate we will continue to see.

Gross profit for the second quarter of 2010 was $3 million, down 398,000 or 12% from the second quarter of 2009. The gross profit percentage for the second quarter of 2010 decreased to 60% compared to 74% in the prior year, primarily due to higher cost of revenues relating to filings revenues.

On a going-forward basis, we expect the gross profit percentage to continue to decrease, as we expect the filings business to become a larger percentage of our revenues. Gross profit decreased by $546,000 or 8% in the first half of 2010 compared to 2009, largely as a result of the decrease in revenues already discussed, while the cost of revenues for the XBRL business have increased.

Total operating expenses for the second quarter of 2010 were $4.2 million, an increase of approximately $555,000 or 15% from $3.7 million in the prior year. For the first half of 2010, total operating expenses were $8 million, an increase of $299,000 or 4%. The increase in operating expenses was primarily due to the continued restructuring of our organization to support the filings business, which, as we’ve said in the past, will add expenses before the related revenues are earned.

Adjusted EBITDA, which we define as EBITDA excluding stock option compensation and severance costs, was negative $337,000, a decrease of 896,000 or 160% compared to the prior year. The decrease in the second quarter was primarily due to an $851,000 increase in the cost of revenues for XBRL filings and a $484,000 increase in general and administration expenses associated with the restructuring of the organization, which included $200,000 of professional fees associated with the UBmatrix merger.

These factors resulted in an operating loss for the second quarter of 2010 of $1.2 million compared to a loss of $0.3 million for the second quarter of 2009. For the first half of 2010, the operating loss was $2.1 million compared to $1.3 million in 2009. The company reported a net loss of $1.3 million in the second quarter of 2010 compared to a net loss of $0.3 million in the prior year.

For the first half of 2010, the company reported a net loss of $2.3 million compared to a net loss of $1.5 million in the corresponding period of 2009. As we have stated for the past few quarters, going forward, as we ramp up our investments in people, infrastructure, software and hardware to build capacity to service our filings business, we will incur expenses before the related revenues are earned, and we expect our operating results will be negatively impacted.

In the second quarter of 2010, we accrued dividends in kind on our Series B Preferred Stock that we issued in the first quarter of this year, totaling $339,000. Year-to-date, in 2010, we have accrued dividends of $575,000. Generally Accepted Accounting Principles require us to deduct these dividends and other beneficial features of our preferred stock in computing earnings per share on our common stock.
With respect to our balance sheet, the company had cash on hand and investments of $11.1 million as of June 30, 2010 compared to $2.3 million as of December 31, 2009, principally as a result of net proceeds after the issuance costs of $11.2 million from the sale of our convertible Series B Preferred Stock in January.

Proceeds from this capital raise will continue to be used to invest in personnel and infrastructure to support growth in our filings business and other businesses. We capitalized costs and purchased equipment for a total of $708,000 and $1,553,000 in the respective three and six-month periods of 2010 in support of our XBRL filings business.

At June 30, 2010, the company’s net accounts receivable were $3 million compared to $2.4 million at December 31, 2009, primarily as a result of the timing of invoicing of our XBRL filings revenues. At June 30, 2010, the company’s accounts payable and accrued expenses were $2.9 million, compared to $2.5 million at December 31, 2009, reflective of the overall volume of payments in our business.

At June 30, 2010, deferred revenues were $3.2 million compared to $3.4 million at December 31, 2009. The decline in deferred revenues reflects the continued decline in our subscriptions business and will be reflected in our revenues from this business in subsequent quarters.

At June 30, 2010, the company had outstanding debt of $1.7 million and an unused revolving credit facility of $2.5 million. During the quarter, we paid down $125,000 of the outstanding debt. To date, there has been no draw down on the revolving credit facility.

As we mentioned in our previous call, the capital raise completed in the first quarter of this year enables us to invest aggressively in XBRL capacity and other businesses to meet the anticipated increase in demand in late 2010 and beyond.

With that, I’d like to turn the call back over to Philip.

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Philip Moyer, Chief Executive Officer and President

Thank you, David. The second quarter of 2010 was an event-filled quarter for EDGAR Online as the company made significant progress in a number of areas. In our filings business this quarter, we delivered 126% growth over Q2 2009. This was driven in part by increased volume of trial detail tagged footnote filings, our largest number of these filings in a single quarter to date. The customer consultation and the quality assurance needed to produce these detail tagged footnote filings was significant. And we’re pleased that our financial results reflect some of this work.

This quarter we made a number of important additions to our management team. Diana Bourke joined as Chief Operations Officer and David Price came on as our new CFO. We also added leadership in our sales and technology organization. All this is taking place in the context of an expanding an increasingly competitive worldwide XBRL market. EDGAR Online hopes to become the XBRL platform that filers, regulators and analysts depend on for quality services, software and data.

This quarter, we moved closer to achieving that goal in signing a definitive merger agreement, pending shareholder approval, with XBRL software leader, UBmatrix, which will give us an even deeper bench of XBRL talent and can expand our channel relationships and access to new markets. I would like to take a few minutes to talk about our business in greater detail.

As I mentioned, detail tagged footnotes has been a source of growth in Q2 for our filings business, and has also required a significant amount of our resources. These filings are filled with data and details that are open to interpretation.
To give you some perspective, with primary financial statements, there were generally 100 to 200 unique concepts that needed to be tagged. With detail tagged footnotes, we are tagging 700, 1000, even 2500 unique concepts in a single filing. And the process of selecting the correct XBRL tag for each concept is time-consuming.

Refining of this work among these large companies generates a significant amount of customer questions. In Q1 of 2010, while tagging primary financial statements, we answered about 700 questions. In Q2 of 2010, our team answered over 11,000 questions regarding detail tagged footnotes. This requires different staffing levels, different financial models and different skill sets than just taggers and software. The entire XBRL industry is dealing with this issue.

Financial Executives International recently issued a letter stating concern about the capacity of the servicers in this industry to deliver on the level – this level of tagging. Our own capacity has been strained to keep up with this level of consultation and education of these detail tagged footnote customers. The complexities of these filings has enabled us to demand higher than average prices for our work. However, we believe that there are companies that are discounting to levels that are unsustainable or for reasons unrelated to their actual cost. Our intention is to continue to evaluate pricing in the detail tagged footnote business to address this.

I want to take a few minutes to discuss some of the other dynamics of our filings business. We continue to produce some incredible work with our partners. In the past seven days alone, we’ve detail tagged footnotes for companies including Morgan Stanley, Microsoft, McDonald’s and Google, we filed primary financial statements for many, many other customers as well. These large accelerated filers have produced tens of thousands of data elements, making important parts of their financial statements like asset valuations for banks, pension liabilities, tax liabilities immediately accessible to the investment and regulatory community.

One of our prominent partner relationships is with R.R. Donnelley, which, as I have mentioned on previous calls, moved to a non-exclusive relationship recently. They are using multiple vendors to deliver on their capacity needs and they have announced their intention to buy Bowne, which offers its own XBRL tagging solution.

Our contract with R.R. Donnelley runs until September 2011. For each calendar year, we must renegotiate pricing and minimum volumes starting 120 days prior to the end of the year. Currently, our volumes and pricing are defined in 2010, and we are currently seeking some visibility in 2011. Almost 100% of our volume in the tier one tier and two markets of these large accelerated filers is coming from R.R. Donnelley. If R.R. Donnelley chooses to use a different solution, it will be difficult for us to achieve our goal of doubling filings revenue by 2012.

Additionally, we may see a negative trend in our filings revenue even within this year. We recognize this is a risk and spoke about it on last quarter’s call. In the interim, we’ve been active in diversifying our strategy. As tier three companies begin trial filing over the next few quarters, we are working to drive tagging volumes from some of our other partners, at whom we’ve done a number of filings for, even in this past quarter. Additionally, we are seeing other markets open up rapidly, including the mutual fund market for N-1A tagging.

The bottom line is that capacity is needed in the XBRL industry. EDGAR Online has built a strong and respected XBRL processing solution, and we are actively pursuing partnerships to diversify our risk and take advantage of new growth opportunities in the market.

Finally, there is UBmatrix. In June, we announced the signing of a definitive merger agreement to merge with UBmatrix. As we explained at that time, UBmatrix is a leader in XBRL software, serving both regulators and filers in the US and abroad. Their software is used by the SEC and the FDIC to
validate the filings being submitted by XBRL filers today. UBmatrix has also attractive channel partnerships, including Oracle, SAP, Deloitte, Keane Federal Systems and many, many others.

Our goal as a unified company is to provide a single XBRL platform globally. This platform can help regulators mandate and collect XBRL, provide public filers with software or services to create and submit XBRL, and provide investors and analysts with the best XBRL tools and data. We want to do this with a common code base, common validation and common information assets. The proposed UBmatrix merger will help us achieve this goal. So we’ve outlined our financials in the proxy and will be updating these financials to include Q2 of 2010.

Over the past nine months, our OEM business is starting to produce revenue where we will need to be investing in that business and the regulatory business to accelerate that growth.

I want to close by saying that we’re very proud of what our team has accomplished this quarter and what we’ve achieved over the past three and a half years. Since the beginning of 2007, EDGAR Online has grown the combined revenue of all our XBRL products and services by an average growth rate of over 30%. We’ve done this with very little cash on our balance sheet, in the midst of a difficult economy, with a regulatory mandate in place for only 12 months of these three years, with significant changes in our management team and while experiencing a continued decline in our legacy business.

This quarter we’ve taken many additional steps to diversify our XBRL products and paths to market as we compete and react to a very competitive landscape. We’re pleased that today EDGAR Online has a significantly stronger balance sheet, additional capabilities and experience on our board of directors, a powerful set of intellectual assets, a much broader and deeper set of partnerships, an enhanced management team and a rapidly growing mandated market.

Thank you for your interest in our company. And now I would like to open the call to your questions.
QUESTION AND ANSWER SECTION


Q: [inaudible]

A – Philip Moyer: Corey, excuse me. It’s difficult to understand. I’m sorry. It’s very, very difficult to understand you. I don’t know if it’s your phone.

Q: Let’s try that. Is that a little better?

A – Philip Moyer: Much better, thank you.

Q: The wonders of modern telecommunications. I wish I had an XBRL phone. So here’s my question. The Donnelley deal. You said it was about 100% of your XBRL business on a trailing basis. How close were they to the minimum looking back? They had a guaranteed minimum in their contract?

A – Philip Moyer: Yeah, I think, we explained that there is an annual minimum and that quarter-to-quarter they go up and down. So we’ve been over in some quarters and under in some quarters. Given that there’s two quarters, you can imagine one was up and one was down.

Q: Right. Do you think they’re going to be at that minimum or well over that? What are we looking at when you get to the year-end phase in the current pace?

A – Philip Moyer: Here is what I’ll say is that they have a minimum, and we and they talk on literally on a quarter-by-quarter basis to set what the filing capacity, filing requirements are for their customer base. And so, we’ve exceeded in Q2, I would say. In Q3, we’ve got a tremendous amount of activity going on.

If you would look up on XBRL – I’m sorry on sec.gov, you’d see that we’re filing a significant number of detailed tag footnotes, and I don’t want to forecast yet Q3, but I will say that we’re filing significant amounts. Q4 is really based on – we’re right now in the process of forecasting demand for Q4, because we’re trying to forecast the Tier 3 filers, what their requirements are going to be, as well as again, again, to see how this coming quarter is going to be. So, I’d like to avoid forecasting to be anything above what the minimums are in that contract at this point in time.

Q: All right. That’s helpful. It sounds like they’re running right about at the minimum, but that will be my assumption, not yours. Let me also ask you about the data and solutions in the subscriptions businesses. Those were both down in the quarter. The rate of decline is slowing in the data subscriptions business. You said that – or data and solutions. You said the data and solutions is on a growth trajectory. I’ll say no, it’s not, but I’ll say that is that turnaround going to look like?

A – Philip Moyer: Again, on the data side, I think that we’ve had some what I will say is that that business has been a little lumpy throughout the past year. We’ve had some good growth, we have had some growth in it and one of the critical aspects of that data business, I think that we’ve said very, very clearly that our strategy around the growth in that data business is to move over to the XBRL data set, the as filed XBRL data set.

And we think that that is absolutely critical to establishing a really, really competitive position in that marketplace. So our investment in the data business, one of the reasons why we took capital in from Bain was to start investing in that data business to really transform it to be the XBRL as filed data set of the industry.
And so, as you could imagine, we’ve only had 12 months worth of filings in that business, and so we’ve been working with about 12 months worth of filings in that XBRL data business, and we’re looking to try and get that back on a growth trajectory sometime next year hopefully.

<Q – Corey Johnson>: Do you think maybe next year it goes from being down, obviously the comps are getting easier, but maybe you’ll starting to see a steady ramp beginning next year?

<A – Philip Moyer>: Yeah. Here is how I’ll answer that question. We have to a) launch the XBRL as reported data set to the marketplace. We have to see how the traction is for that. We think it’s something that’s valuable. We’ve been very clear to the marketplace that that’s coming, and then I’ll be able to project growth as I go from there.

<Q>: Great. And then finally, you made a comment about unsustainable pricing from competitors. I want to get a little more detail and also I wonder, do they, presumably there is a quality that they give up there, and when they turn their stuff into the SEC or someone – errors start to show up. I know you guys have boasted of never having errors thus far. Is that a good guess, that they’re going to have errors in their work and that it’s going to be seen when they start to file these things with the SEC?

<A – Philip Moyer>: I think we’ve seen errors coming from many vendors. You might have even seen, I’ll just say over the past one to two weeks, you might have seen some amendments coming out of us, but that was primarily related to the fact that customers chose to use the 30-day grace period as opposed to necessarily XBRL errors.

So I want to make sure that everyone in the call that I don’t suggest that we have not had to file amendment at this point, but we have had to file it primarily because of the delay that customers chose to take.

As it relates to errors, we have seen a higher number of errors. There are a number of quality surveys that are out in the marketplace right now, and it’s been really extraordinary to see that in some cases yes, you’re seeing amendments and errors being filed with the SEC. And in some cases you’re seeing significant XBRL errors. In terms of unsustainability of that pricing, in some cases, yes, at least those kinds of errors. And quite right now in other cases, those unsustainable prices may be related to other parts of their business that they’re trying to sustain, and provide below-market pricing to sustain another part of their business.

<Q>: Because in the last call you said that you thought that 15 to $20,000 pricing is going to maintain. Do you really see that holding on still or is that starting to erode?

<A – Philip Moyer>: Per year, one of the things that I’ve always said is, somewhere between 10 to $20,000 per year per company, we’ve not seen erosion in that. We have not seen erosion in that.

<Q>: That’s great.

<A – Philip Moyer>: What I’ll say to you, I’ve seen others that are out in the marketplace below that price. But quite frankly, right now we’re not experiencing that erosion.

<Q>: Well, that’s great news. And my model assumes you won’t be able to keep that up, but if you keep it up, thank you. I’ll get back in the queue. Thanks guys.

Operator: [Operator Instructions] Our next question is from the line of Miles Jennings with OV Metrics. Please go ahead.

<Q – Miles Jennings, Jr.>: UBmatrix in April announced its version 3.6 of Report Builder. And as it’s described, this is a stand-alone filing product using Excel. And what I’d like to ask you or
perhaps Mr. Kapoor, if he is available, to comment on the general reception for this product in the US and UK. My guess is that, there has not been any significant marketing of this product, given the merger proposed and perhaps you could just comment on that?

<A – David Price>: Yeah, until we – Sunir is not on the call. And thanks for asking the question. We are unable to really comment on, I'll say, market adoption yet of the UBmatrix products at this time. And I think what we're seeing is, certainly SAP and Oracle have relationships with UBmatrix as it relates to a number of their products. I know that Report Builder is included in those products. And so, on a unit by unit basis, you may not see Report Builder out there front and center, but you may see SAP or Oracle adoption.

And so we continue to look at that OEM business as an opportunity, and it's one of the things that we're asking shareholders to consider in the merger agreement is the potential value of at least having a path to the marketplace to some of the self-service filers.

Operator: We've no other questions in the queue at this time.

Philip Moyer, Chief Executive Officer and President

Thank you, everyone, for spending time with us this afternoon.

David Price, Chief Financial Officer

Thank you.

Operator: Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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