

INTERSECTIONS INC. 2011 ANNUAL REPORT



**Intersections Inc.**

3901 Stonecroft Blvd.  
Chantilly, Virginia 20151  
703.488.6100

[www.intersections.com](http://www.intersections.com)

Empowering **you**

Empowering **companies**

**2011** Intersections Annual Report



## BOARD OF DIRECTORS

### John M. Albertine

Chairman and Chief Executive Officer  
Albertine Enterprises, Inc.

### Thomas G. Amato

Managing Director  
Amato Ventures

### James L. Kempner

Managing Director  
Loeb Partners Corporation  
Senior Advisor  
Lazard Frères & Co. LLC

### Thomas L. Kempner

Chairman and Chief Executive Officer  
Loeb Partners Corporation

### David A. McGough

President and Chief Executive Officer  
Digital Matrix Systems, Inc.

### Norman N. Mintz

Vice President and Managing Director  
Loeb Partners Corporation

### Michael R. Stanfield

Chairman and Chief Executive Officer  
Intersections Inc.

### William J. Wilson

Principal  
CAMBIAR LLC  
Chairman and Chief Executive Officer  
Wilson Connexions, LLC

## PRINCIPAL OFFICERS

### Michael R. Stanfield

Chairman and Chief Executive Officer

### Neal B. Dittersdorf

Executive Vice President  
Chief Legal Officer

### John G. Scanlon

Executive Vice President  
Chief Financial Officer

### Steven A. Schwartz

Executive Vice President  
Consumer Solutions

## INVESTOR RELATIONS

Shareholders, analysts and others seeking the Form 10-K (free of charge) and other information about Intersections Inc. are invited to contact:

### Eric Miller

Senior Vice President  
Corporate Finance & Investor Relations  
3901 Stonecroft Blvd.  
Chantilly, VA 20151  
703.488.6100  
703.488.6180 fax  
ir@Intersections.com

## GET UPDATES ONLINE

The Company's earnings releases, SEC filings and other financial reports are also available at [www.intersections.com](http://www.intersections.com). This information, along with press releases, is typically available promptly after issuance. In addition, shareholders may also register for automatic email notifications of SEC filings, releases and events by visiting the Web site and following the instructions under the Investors menu item titled "E-mail Alerts."

## ANNUAL MEETING OF SHAREHOLDERS

Intersections' Annual Meeting of Shareholders will be held at 1:00 p.m. Eastern Time on Monday, May 14, 2012, at Intersections Inc., 3901 Stonecroft Blvd., Chantilly, Virginia 20151. Shareholders of record as of March 26, 2012 are eligible to vote.

## STOCK LISTING

Shares of Intersections Inc. are traded under the symbol "INTX" on the NASDAQ Global Market. Price information can be viewed at [www.intersections.com](http://www.intersections.com).

## SHAREHOLDER ACCOUNT INQUIRIES

To expedite changes of address, the transfer of shares, the consolidation of accounts or the replacement of stock certificates, shareholders are asked to contact the company's stock registrar or transfer agent directly. Please contact your broker if your shares are held in a brokerage account.

## REGISTRAR AND TRANSFER AGENT

American Stock Transfer & Trust Company, LLC  
6201 15<sup>th</sup> Avenue  
Brooklyn, New York 11219  
800.937.5449  
[info@amstock.com](mailto:info@amstock.com)  
[www.amstock.com](http://www.amstock.com)

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP  
1750 Tysons Boulevard  
McLean, VA 22102-4219

## SEC COUNSEL

Stroock & Stroock & Lavan LLP  
180 Maiden Lane  
New York, NY 10038-4982

## SAFE HARBOR STATEMENT

Statements in this Annual Report relating to future plans, results, performance, expectations, achievements, and the like are considered "forward-looking statements." Those forward-looking statements involve known and unknown risks and are subject to change based on various factors and uncertainties that may cause actual results to differ materially from those expressed or implied by those statements. Factors and uncertainties that may cause actual results to differ include, but are not limited to, the risks disclosed in the Company's filings with the U.S. Securities and Exchange Commission, including the enclosed Form 10-K. The Company undertakes no obligation to revise or update any forward-looking statements.



#### To Our Shareholders:

Intersections delivered record financial performance in 2011. We increased revenue by 2.4 percent to \$373 million and grew adjusted EBITDA before share based compensation by 9.8 percent to more than \$52 million. Our diluted earnings per share from continuing operations rose by 20 percent to \$0.97 per share. In addition, we generated strong cash flow from operations of \$35.5 million, and closed 2011 with \$30.8 million in cash and equivalents on our balance sheet.

With this performance we returned \$31.7 million to shareholders through dividends and share repurchases in 2011. Our 2011 results demonstrate the strong foundation of our Consumer Products and Services segment and our dedication to deliver value to shareholders.

Strategically, 2011 was also a successful year of launching new growth initiatives for the future.

#### These include:

- an indirect relationship with a new large financial institution client;
- a new relationship to provide advanced identity theft protection services to customers of major internet service providers; and
- the launch of a new product extension - kID Sure<sup>SM</sup>, a child identity protection service, with patent-pending technology.

We have confidence that our existing client relationships, as well as these and other new growth initiatives, can help us to continue to deliver strong financial results in 2012 and beyond.

In the past few years we have seen some of the most intense changes in our sixteen year history. We weathered the most significant economic crisis in recent times, and have come through that difficult period as a stronger, more focused

“ **We expect 2012 to be another strong year for cash generation from our existing client base.** ”

and leaner company.

I am proud of and impressed by our employees' extraordinary work and positive attitude during these challenges. Their commitment allowed us to remain proactive and strengthened our reputation as a world-class organization with industry-leading products and best in class service.

We have been working hard to find ways to derive more from our existing relationships, control costs, create new growth opportunities, and strengthen our consumer value proposition. We believe we have made progress on all those fronts, yet we have significant work to deliver the type of returns we desire.

We expect 2012 will be a year of transition as we begin to renew growth from existing client relationships and drive growth from new relationships launched in 2011. We expect continued growth from our IDENTITY GUARD® brand, as well as incremental revenue growth from product extensions such as KID Sure<sup>SM</sup>. We expect 2012 to be another strong year for cash generation from our existing client base, and we expect to continue returning a portion of this cash to shareholders, although this of course will

be subject to ongoing monitoring and approval by our Board of Directors. As opportunities arise, we also may look to deploy a portion of our cash toward strategic acquisitions to strengthen our position in our current markets or secure new growth opportunities.

An exciting new chapter for Intersections lies ahead of us, and 2012 is already shaping up to be another busy and productive year. We are grateful for the continuing support of our clients, customers, business partners, employees and shareholders, and look forward to a successful 2012 and beyond.

Sincerely,



MICHAEL R. STANFIELD

Chairman and Chief Executive Officer



# Trusted leaders

## FINANCIAL HIGHLIGHTS

\$ in millions	2007	2008	2009	2010	2011
Revenue	\$242.2	\$333.8	\$346.2	\$364.1	\$373.0
Adjusted EBITDA before share related compensation	\$27.1	\$48.5	\$22.6	\$47.4	\$52.1
Income (loss) from continuing operations	\$8.2	\$(5.5)	\$0.7	\$14.9	\$18.6
% of Revenue	3.4%	-1.6%	0.2%	4.1%	5.0%
Net Income (loss) attributable to Intersections Inc.	\$6.9	\$(16.0)	\$(6.4)	\$20.4	\$18.6
Diluted Earnings (loss) per share from continuing operations	\$0.47	\$(0.32)	\$0.04	\$0.81	\$0.97
Subscription Revenue, net of Marketing and Commissions	\$147.5	\$189.9	\$166.3	\$189.1	\$193.2
Stockholders' Equity	\$114.8	\$101.4	\$96.4	\$116.6	\$107.9
Subscribers (in millions)	5.26	4.73	4.30	4.15	4.95

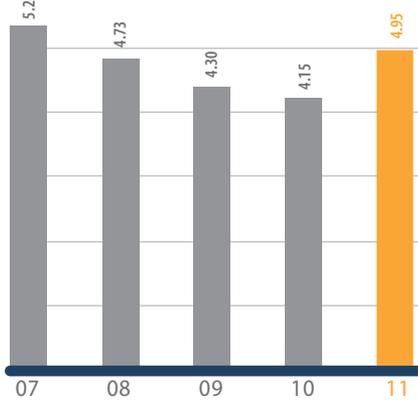
## FOR THE YEAR ENDED

Reconciliation from consolidated income before income taxes to consolidated Adjusted EBITDA before share related compensation

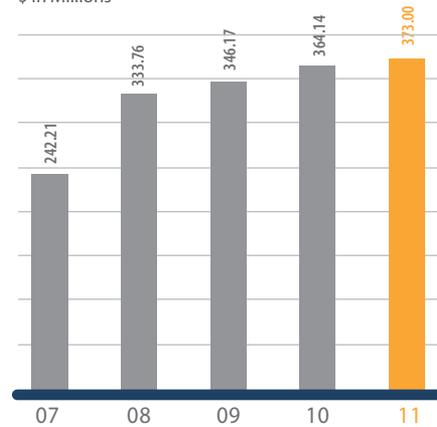
\$ in thousands	2007	2008	2009	2010	2011
Consolidated income/(loss) before income taxes	\$13,991	(\$8,208)	\$855	\$24,214	\$31,857
Share related compensation	2,715	4,069	4,556	5,677	6,590
Dividend equivalent payments to RSU holders	0	0	0	581	1,634
Goodwill, intangible and long-lived asset impairment charge	-	30,897	949	-	-
Depreciation	8,181	8,426	7,436	8,119	9,041
Amortization	2,841	10,284	9,078	6,716	3,828
Interest Expense, net	572	2,291	1,103	1,675	809
Gain on settlement					(1,413)
Other expense/(income), net	(1,200)	698	(1,362)	442	(282)
Consolidated Adjusted EBITDA before share related compensation	\$27,100	\$48,457	\$22,615	\$47,424	\$52,064

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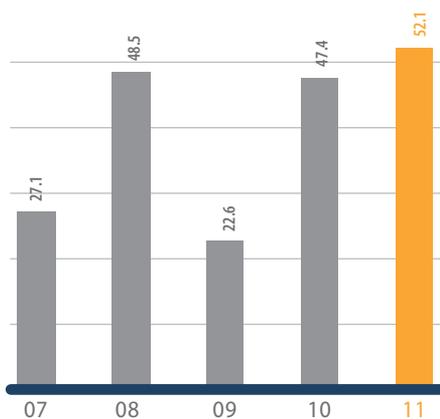
Subscribers  
in Millions



Revenue  
\$ in Millions

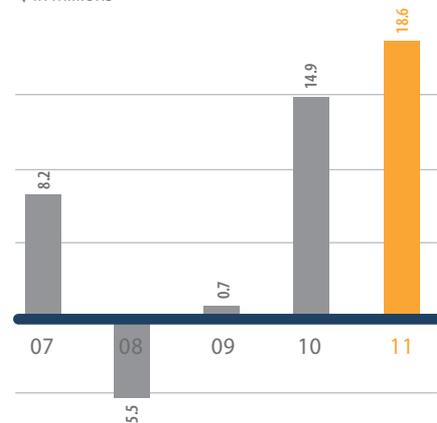


Adjusted EBITDA \*  
\$ in Millions



\*Adjusted EBITDA is Before Share Related Compensation and non-cash charges.

Income from Continuing Operations\*  
\$ in Millions



\*2008, 2009 results include pre-tax, non-cash impairment charges totaling \$40.8 million ('08); \$7.3 million ('09).