

# BRANCHEZ-VOUS

**BRANCHEZ-VOUS! inc.**

## Interim Management Report

Review of the three month period ending **March 31, 2009**

*This discussion should be read in conjunction with the information contained in the corporation's financial statements and the related notes to the financial statements. Figures are rounded to thousand \$.*

### Overview

BRANCHEZ-VOUS! is an Internet media Corporation, incorporated in 2000 but whose current operations, through mergers, began in 1995. It derives almost all of its revenues from advertising, sold in text, graphical or video format on web sites. Some of the sites it markets – including the BRANCHEZ-VOUS.com portal - belong to the Corporation; the majority of the sites that it markets belong to other publishers, who contract out to the Corporation all or part of their advertising sales and to which the Corporation pays royalties. The Corporation markets all these sites as an advertising network called BV! Media. Its headquarters are in Montreal, Québec.

### General performance

The quarter ended March 31, 2009 ("Q1 2009") generated satisfying results, especially in the context of a deep economic recession. Compared to the quarter ended March 31, 2008 ("Q1 2008"), revenues increased by 160 % to close to \$ 2.5 millions and gross profit increased by 138 % fuelled largely by the acquisition of NetWorldMedia as at October 31, 2008. Operating expenses increased by a larger amount than the increase in gross profit resulting in a loss of \$63,956, up from a loss of \$11,285 in Q1 2008. Since this loss resulted mostly from non-cash expenses, in Q1 2009, EBITDA was positive \$40,729 – or over four times the EBITDA of Q1 2008, while Adjusted EBITDA, which excludes the effect of stock-based compensation, was positive at \$70,318 – an increase of 156% compared to the adjusted EBITDA of Q1 2008.

### Results

#### Selected quarterly information

All figures are in \$.

<b>For three-month period ended:</b>	<b>March 31, 2009</b>	March 31, 2008	Dec. 31, 2008
<b>Revenues</b>	<b>2,473,910</b>	949,795	2,492,299
<b>Cost of sales</b>	<b>1,218,577</b>	423,054	1,278,162
<b>Gross profit</b>	<b>1,255,333</b>	526,741	1,214,137
<b>Operating expenses</b>	<b>1,342,825</b>	538,026	1,723,001
<b>Net earnings (loss)</b>	<b>(63,956)</b>	(7,613)	(232,565)
<b>Basic and diluted earnings (loss) per share</b>	<b>(0.00)</b>	(0.00)	(0.00)
<b>EBITDA*</b>	<b>40,729</b>	9,634	147,233
<b>Adjusted EBITDA*</b>	<b>70,318</b>	27,491	164,793

\*: EBITDA is defined as earnings before interest, income taxes, depreciation and, amortization, impairment of intangible assets, and impairment or loss on sale of investments and fixed assets. Adjusted EBITDA is defined as EBITDA to which the Corporation adds stock-based compensation, as this expense does not result in any use of operating cash flows by the Corporation. EBITDA and Adjusted EBITDA are provided as a supplementary earnings measure to assist readers in determining the ability of BRANCHEZ-VOUS! to generate cash from operations and to cover financial charges. They are also widely used for business valuation purposes. These measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

As at:	<b>March 31, 2009</b>	March 31, 2008	Dec. 31, 2008
<b>Total assets</b>	<b>9,250,230</b>	2,744,140	9,444,930
<b>Long term financial liabilities</b>	<b>459,791</b>	0	991,204
<b>Shareholders equity</b>	<b>6,313,997</b>	1,950,607	6,348,364

## Horizontal analysis

Change in main items of the statement of earnings and deficit.

	Change / Q1 2008	Change / Q4 2008**
	%	%
<b>Revenues</b>	+160	-1
Cost of sales	+188	-5
Gross profit	+138	+3
Operating expenses	+150	+20
<b>Net earnings (loss)</b>	-	-
Earnings (loss) per share	-	-
EBITDA	+323	-72
Adjusted EBITDA	+156	-57

\*\* Three-month period ended December 31, 2008.

## Vertical analysis

Share of main items in the statement of earnings and deficit, as a proportion of revenues.

	<b>Q1 2009</b>	Q1 2008	Q4 2008
	%	%	%
<b>Revenues</b>	<b>100</b>	100	100
Cost of sales	<b>49</b>	45	51
Gross profit	<b>51</b>	55	49
Operating expenses	<b>54</b>	57	69
<b>Net earnings (loss)</b>	<b>-3</b>	-1	-9
EBITDA	<b>2</b>	1	6
Adjusted EBITDA	<b>3</b>	3	7

## Revenues

The increase in revenues from Q1 2008 to Q1 2009 is due to the acquisition of NetWorldMedia as at October 31, 2008.

## Cost of sales

The increase in cost of sales from Q1 2008 to Q1 2009 is due to an increase in

royalties paid to represented web sites and is proportionate to the increase in sales on these sites.

The decrease from to Q4 2008 to Q1 2009 is due to a slight difference in product mix sold between the two quarters.

## Gross profit

The increase in gross profit from Q1 2008 to Q1 2009 is due to an increase in sales

The increase from Q4 2008 to Q1 2009 is due to a decrease in cost of sales.

## Operating expenses

The increases in operating expenses from Q1 2008 to Q1 2009 is mostly due to an increase in salaries, with the size of the Corporation's workforce having more than doubled as a result of the NetWorldMedia acquisition.

The decrease in operating expenses from Q4 2008 to Q1 2009 is due to the absence, in Q1 2009, of impairment charges for web sites acquired in 2008.

## Net loss

The increase in net loss from Q1 2008 to Q1 2009 is due to the increase in cost of sales and operating expenses.

The decrease in net loss from Q4 2008 to Q1 2009 is due to decreased operating expenses.

## Quarterly information

Figures in thousand \$ except for earnings per share, in \$.

	<b>2009</b>	<b>2008</b>				<b>2007</b>		
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>Revenues</b>	2,473	2,492	1,007	1,281	950	1,033	1,053	1,370
Gross profit	1,255	1,213	617	751	527	561	578	699
<b>Net earnings (loss)</b>	(64)	(233)	(56)	(18)	(8)	28	29	235
Basic and fully diluted earnings per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00	0.01
EBITDA	41	147	(11)	65	9	49	39	244
<b>Adjusted EBITDA</b>	70	165	1	83	26	67	55	256

Sales and earnings vary significantly from one quarter to another, because the vast majority of the sales of the Corporation are derived from advertising campaigns that last a few weeks and are not booked on a regular basis. However, sales are usually higher during the second and fourth quarters.

## Reconciliation of adjusted EBITDA

Figures in thousand \$.

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Net earnings (loss)</b>	(64)	(233)	(56)	(18)	(8)	28	29	235
Interest	-	2	-	-	-	-	-	-
Current income taxes	-	(33)	-	-	-	-	-	-
Future income taxes	(24)	(242)	-	-	-	-	-	-
Depreciation and amortization	107	123	45	50	17	21	10	9
Impairment of intangible assets (1)	-	530	-	33	-	-	-	-
Loss on disposal of fixed assets	22	-	-	-	-	-	-	-
Gain on disposal of investment	(1)	-	-	-	-	-	-	-
<b>EBITDA</b>	41	147	(11)	65	9	49	39	244
Stock-based compensation	30	18	12	18	17	17	16	12
<b>Adjusted EBITDA</b>	70	165	1	83	26	67	55	256

(1) Trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment test consists of a comparison of the fair value of the Trademark with its carrying amount. When the carrying amount of the Trademark exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The fair value is calculated based on evaluations of discounted cash flows.

## Liquidity and financial resources

### Cash flows

Figures in thousand \$, except for change, in %.

	Q1 2009	Q1 2008	Change / Q1 2008
<b>Cash flows from:</b>			
Operating activities	314	226	+39%
Financing activities	(156)	1	-
Investment activities	63	161	-61%

**Operating activities** provided \$314,021 in Q1 2009, compared to \$ 225,626 in Q1 2008. Most of this amount relates to net change in non-cash working capital items and to elevated amortization expenses.

**Financing activities** used \$156,039 in Q1 2009, due to the reimbursement of advances from shareholders. This compares to \$750 generated in Q1 2008.

**Investment activities** provided \$62,696 in Q1 2009, compared to \$160,521 provided in Q1 2008 – due to the disposal of short-term financial investments.

### Financial resources

As at March 31, 2009, BRANCHEZ-VOUS! held \$307,088 in **cash and cash equivalents**. This amount compares to \$146,205 in cash and cash equivalents held as at Dec. 31, 2008. The increase is mostly due to the receipt of accounts receivable and to the disposal of short term investments.

As at March 31, 2009, BRANCHEZ-VOUS! held \$200,000 in **short-term investments**, compared to \$300,000 as at Dec. 31, 2008.

Management estimates that the combination of cash and cash equivalents, short-term investments and a line of credit of \$700,000 backed by accounts receivable is sufficient to finance its operations.

## Contractual obligations

Contractual obligations totalled \$774,702 as at March 31, 2009. These obligations partly consist of royalties committed by the Corporation to secure representation agreements with editors. Of this total, \$557,602 were obligations for 2009, \$209,312 for 2010, \$5,705 for 2011 and \$2,083 for 2012.

## Other information

### Non-cash transactions

The Corporation signed several promotional agreements with other media and event organizers, for a cumulative amount of \$43,250 in revenues and \$28,250 in expenses in Q1 2009 and \$8,250 in Q1 2008. In Q1 2009, the \$15,000 difference between revenues and expenses is due to the fact that the Corporation had not used part of the value of one of its exchange contracts with a third party while it has already delivered the same value. In Q1 2008, the same amount had been registered in revenues and expenses, corresponding to non-cash transactions.

## Information to shareholders

### Shareholders' equity

Shareholders' equity was \$6,313,997 as at March 31, 2009, compared to \$6,348,364 as at December 31, 2008. The decrease is due to the net loss registered in Q1 2009.

### Number of shares

As at March 31, 2009, the Corporation had **60,361,015** issued and outstanding common shares.

### Risks and uncertainties

The Corporation's risks and uncertainties have not materially changed from those described in the Corporation's 2008 Annual report.

### Outlook

Management expects to continue to report strong year-over-year growth in revenues over the next two quarters as we integrate the results of NetWorldMedia. In addition, we expect to maintain a tight control on costs in this recessionary environment in order to continue to report positive Adjusted EBITDA over the next few quarters.

Additional information on the Corporation can be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Forward looking statement**

*Some statements made in this quarterly report, particularly with respect to the Corporation's expectations, constitute forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties related to the Internet business model, competition, financial markets, access to capital, and changes in the general and sectoral economic development.*

May 26, 2009

(signed)  
**Patrick Pierra**  
President and Chief Executive Officer

(signed)  
**Athanasios Vorias**  
Chief Financial Officer