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MULTEX COM INC  
Form 10-Q  
May 14, 2002

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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 0-24559

MULTEX.COM, INC.

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

22-3253344

-----  
(State of Incorporation)

-----  
(I.R.S. Employer  
Identification Number)

100 WILLIAM STREET, 7TH FLOOR  
NEW YORK, NEW YORK 10038  
(212) 607-2400

-----  
(Address, including zip code, and telephone  
number, including area code, of registrant's  
principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

As of May 10, 2002, there were 32,669,143 shares of the registrant's common stock outstanding.

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QUARTERLY REPORT ON FORM 10-Q  
MULTEX.COM, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE NUMBER
PART I. FINANCIAL INFORMATION.....	3
ITEM 1: FINANCIAL STATEMENTS (Unaudited):.....	3
Condensed Consolidated Balance Sheets as of March 31, 2002 and December 31, 2001.....	3
Condensed Consolidated Statements of Operations for the three months ended March 31, 2002 and 2001.....	4
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and 2001.....	5
Notes to Condensed Consolidated Financial Statements March 31, 2002.....	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	8
PART II. OTHER INFORMATION.....	17
ITEM 1. LEGAL PROCEEDINGS.....	17
ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.....	17
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.....	17
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	17
ITEM 5. OTHER INFORMATION.....	17
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.....	17
ITEM 7. SIGNATURES.....	18

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
MULTEX.COM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

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(IN THOUSANDS, EXCEPT PER SHARE DATA)

	MARCH 31, 2002	DECEMBER 31, 2001
	----- (unaudited)	----- (audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 35,597	\$ 40,771
Marketable securities	6,157	1,027
Accounts receivable, net	18,954	18,268
Other current assets	5,236	4,208
	-----	-----
Total current assets	65,944	64,274
Property and equipment, net	37,264	38,236
Goodwill, net	5,966	6,100
Intangibles, net	15,185	15,795
Investments	4,236	4,236
Other	5,957	6,245
	-----	-----
Total assets	\$ 134,552	\$ 134,886
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,993	\$ 2,341
Accrued expenses	6,072	5,970
Deferred revenues	8,693	9,058
	-----	-----
Total current liabilities	18,758	17,369
Long term liabilities:		
Deferred rent	3,040	3,251
	-----	-----
Total long term liabilities	3,040	3,251
Stockholders' equity:		
Preferred stock - \$.01 par value:		
Authorized - 5,000,000 shares;		
none issued and outstanding	--	--
Common stock - \$.01 par value:		
Authorized - 200,000,000 shares;		
issued and outstanding 32,560,000 shares		
at March 31, 2002 and 32,525,000 at		
December 31, 2001	326	325
Additional paid-in capital	226,934	227,108
Accumulated deficit	(106,102)	(104,071)
Deferred equity consideration	(7,850)	(8,920)
Accumulated other comprehensive (loss) income	(554)	(176)
	-----	-----
Total stockholders' equity	112,754	114,266
	-----	-----
Total liabilities and stockholders' equity	\$ 134,552	\$ 134,886
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS.

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MULTEX.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED; IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED	
	MARCH 31, 2002	MARCH 31, 2001
	-----	-----
Gross revenues	\$ 22,568	\$ 29,504
Performance-based warrants	--	--
	-----	-----
Net revenues	22,568	29,504
Cost of revenues	5,827	5,713
	-----	-----
Gross profit	16,741	23,791
Operating expenses:		
Sales and marketing	5,532	6,716
Research and development	1,486	2,606
General and administrative	7,193	8,178
Depreciation and amortization	4,536	3,752
	-----	-----
Total operating expenses	18,747	21,252
Income (loss) from operations	(2,006)	2,539
Other income (expense):		
Interest income	264	581
Interest expense	(13)	(15)
Equity in loss from unconsolidated business	(186)	--
	-----	-----
Income (loss) before income taxes	(1,941)	3,105
Income tax expense	90	90
	-----	-----
Net income (loss)	\$ (2,031)	\$ 3,015
	=====	=====
Basic and diluted net income (loss) per share	\$ (0.06)	\$ 0.09
	=====	=====
Number of shares used in:		
Basic income (loss) per share	32,553	31,831
	=====	=====
Diluted income (loss) per share	32,553	34,291
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS.

MULTEX.COM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED; IN THOUSANDS)

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	THREE MONTHS ENDED	
	MARCH 31, 2002	MARCH 31, 2001
	-----	-----
OPERATING ACTIVITIES		
Net (loss) income .....	\$ (2,031)	\$ 3,015
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:		
Amortization of equity consideration .....	1,070	997
Depreciation and amortization of property and equipment .....	3,224	1,854
Amortization of goodwill and intangibles .....	748	1,357
Deferred rent .....	(211)	196
Bad debt expense .....	387	385
Changes in operating assets and liabilities:		
Accounts receivable .....	(1,099)	2,426
Other current assets .....	(1,028)	326
Other assets .....	16	22
Accounts payable .....	744	(2,768)
Accrued expenses .....	102	(4,334)
Deferred revenues .....	(365)	(1,441)
	-----	-----
Net cash provided by operating activities .....	1,557	2,035
INVESTING ACTIVITIES		
Purchases of marketable securities .....	(5,149)	(11,014)
Proceeds from sale or maturities of marketable securities .....	--	29,687
Purchases of property and equipment .....	(1,463)	(3,492)
	-----	-----
Net cash provided by (used) in investing activities ...	(6,612)	15,181
FINANCING ACTIVITIES		
Proceeds from issuances of stock .....	3	911
Repayment of long-term debt and capital leases .....	--	(35)
	-----	-----
Net cash provided by financing activities .....	3	876
Effect of exchange rate changes on cash .....	(122)	49
	-----	-----
Increase (decrease) in cash and cash equivalents .....	(5,174)	18,141
Cash and cash equivalents, beginning of period .....	40,771	20,237
	-----	-----
Cash and cash equivalents, end of period .....	\$ 35,597	\$ 38,378
	=====	=====
SUPPLEMENTAL DISCLOSURES OF FINANCIAL INFORMATION		
NONCASH INVESTING AND FINANCING ACTIVITY:		
Accrued purchase of fixed assets	\$ 764	\$ 1,138
	=====	=====
Unrealized loss on marketable securities	\$ (19)	\$ (268)
	=====	=====
Issuance of restricted stock, net	\$ (176)	\$ 3,897
	=====	=====
Taxes paid	\$ 77	\$ 46
	=====	=====
Interest paid	\$ 2	\$ 15
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED

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## CONSOLIDATED FINANCIAL STATEMENTS.

5

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) MARCH 31, 2002

#### NOTE 1 -- THE COMPANY AND BASIS OF PRESENTATION

Multex.com, Inc. (the "Company" or "Multex.com") is a global provider of investment information and technology solutions to the financial services industry, including brokerage firms, professional money management firms, hedge funds, venture capital firms, mutual funds, investment banks, corporations, and individual investors. Headquartered in New York, the Company also has offices in Lake Success (New York), San Francisco, London, Edinburgh and Hong Kong.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. The disclosure of segment information was not required as the Company operates in only one business segment.

The condensed consolidated balance sheet at December 31, 2001 has been derived from audited financial statements but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The interim financial information contained herein should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K.

In order to conform to the current period presentation, certain reclassifications were made to the 2001 financial statements.

#### NOTE 2 -- USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include the useful lives and valuations of fixed assets and certain intangible assets, the accounts receivable allowance for doubtful accounts and the income tax valuation allowance.

6

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### NOTE 3 -- STOCKHOLDERS' EQUITY

During the three months ended March 31, 2002, the Company issued approximately 5,000 shares of its common stock in connection with the exercise of stock options to employees and approximately 41,000 shares of its common stock in connection with grants of restricted stock.

### NOTE 4 -- EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share data):

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Numerator:		
Numerator for basic and diluted net income (loss) per share - net income (loss) available for common stockholders	\$ (2,031) =====	\$ 3,015 =====
Denominator:		
Denominator for basic net income (loss) per share - weighted average shares	32,553	31,831
Assumed conversion of outstanding stock options and warrants	--	2,460
Denominator for diluted net income (loss) per share - weighted average shares	32,553	34,291
Basic and diluted net income (loss) per share	\$ (0.06) =====	\$ 0.09 =====

### NOTE 5 -- COMPREHENSIVE INCOME (LOSS)

Total comprehensive loss was \$2.4 million and total comprehensive income was \$2.8 million for the three months ended March 31, 2002 and March 31, 2001, respectively.

### NOTE 6 -- ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets ("FAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

The Company adopted the FAS 142 rules of accounting for goodwill and other intangible assets in the first quarter of 2002. Application of the non-amortization provisions of FAS No. 142 decreased amortization expense in the first quarter of 2002 by approximately \$170,000 compared to the first quarter of 2001 and is expected to result in an annual decrease in amortization expense of approximately \$680,000 (\$0.02 per share) for the year 2002 compared to the year 2001. During the second quarter of 2002 the Company will perform the required impairment tests of goodwill and other intangible assets. The Company has not

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yet determined what the effect of these tests will be on its earnings and financial position.

7

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS AND THE TIMING OF CERTAIN EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER "RISK FACTORS THAT MAY AFFECT FUTURE RESULTS."

#### OVERVIEW

Multex.com, Inc. is a global provider of investment information and technology solutions for the financial services industry, including brokerage firms, professional money management firms, hedge funds, venture capital firms, mutual funds, investment banks, corporations and individual investors. We offer four main products, as follows:

- o MultexNET, launched in June 1996, provides access to real-time, commingled equity and fixed income research, global earnings and revenue estimates and company fundamental information to buy-side investors, sell-side institutions, public and private corporations and libraries of professional service firms;
- o MultexEXPRESS, launched in January 1997, offers the development, hosting and real-time distribution of research and other investment information on customized Web sites to buy-side investment firms, sell-side institutions and other financial services companies;
- o Multex Investor, launched in November 1998, is the Company's financial destination Web site that provides financial data and access to free and pay-per-view research on an embargoed basis;
- o Market Guide database, acquired in September 1999, provides investment information products to financial institutions and Web sites, institutional investors, corporations and professional vendors.

MultexNET is offered either as a one- to three-year subscription or on a transactional basis. The product allows entitled institutional investors, corporations, financial institutions and advisors to access full-text investment research reports on a real-time basis from investment banks, brokerage firms and other third-party research providers over the Internet or through other distribution channels.

MultexEXPRESS is also offered pursuant to one to three year subscriptions, generating revenue from professional service and license fees. MultexEXPRESS enables financial institutions to distribute their proprietary financial research, as well as other corporate documents, over the Internet, through intranets and other private networks.

Multex Investor provides individual investors who register as members access to



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a range of financial reports and services online from a majority of the contributors to MultexNET. These reports are available either free of charge, or for a fee determined by the research provider. Multex Investor generates revenues from sales transactions, email and banner advertising, and contractual, lead-generating sponsorships. Sponsors to Multex Investor include full-service brokerage firms and other financial institutions interested in attracting individual investors to their products, services and brands.

Market Guide acquires, integrates, condenses and publishes accurate, timely and objective financial, descriptive and other information on public corporations. Market Guide generates revenue primarily by licensing its database in single or multi-year contracts.

8

### RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 2002 COMPARED TO QUARTER ENDED MARCH 31, 2001

#### Revenues

Multex's gross revenues consist of subscription fees for MultexNET, sales of investment research on a pay-per-view basis through Multex OnDemand, subscription, development, hosting and license fees for MultexEXPRESS, license and redistribution fees for the Market Guide database, and sales of sponsorships, advertising and investment research through the Multex Investor Web site. We also provide professional services to select MultexEXPRESS clients, including software development, customization and integration services.

Gross revenues decreased 23.5% to \$22.6 million for the quarter ended March 31, 2002 from \$29.5 million for the quarter ended March 31, 2001. All of the Company's product lines were negatively affected by the continued weakness in the global financial markets. On a sequential basis, revenues increased by approximately \$300,000 compared to the fourth quarter of 2001.

MultexEXPRESS revenue decreased 24% to \$8.7 million for the quarter ended March 31, 2002 from \$11.4 million for the quarter ended March 31, 2001. The decrease in revenue is primarily a result of reduced technology spending by many of the Company's customers. On a sequential basis, MultexExpress revenues increased 5% compared to the fourth quarter of 2001.

MultexNET sales decreased 9% to \$6.2 million for the quarter ended March 31, 2002 from \$6.8 million for the quarter ended March 31, 2001. The decrease in MultexNET sales was primarily attributable to a decline in Multex OnDemand report sales, partially offset by an increase in new MultexNET subscriptions. The decrease in OnDemand revenue was due to a decline in investment banking activity and general uncertainty in the global financial markets. The increase in MultexNET subscription revenues reflected the introduction of MultexIR in October 2001 and continued acceptance of new enhancements added to the MultexNET product lines such as NetScreen Pro, Earnings Estimates and Street Fusion. On a sequential basis, MultexNET revenues increased 6% compared to the fourth quarter of 2001.

Multex Investor revenues declined 43% to \$2.9 million for the quarter ended March 31, 2002 from \$4.9 million for the quarter ended March 31, 2001. This decline reflects lower advertising and sponsorship revenues, offset in part by an increase in pay-per-view revenues. On a sequential basis, Multex Investor revenues decreased 3% compared to the fourth quarter of 2001.

Market Guide revenues decreased 23% to \$4.8 million for the quarter ended March

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31, 2002 from \$6.3 million for the quarter ended March 31, 2001. The decrease in revenues was primarily due to an increase in customer bankruptcies and customer defaults.

For the quarters ended March 31, 2002 and March 31, 2001 the Company did not record any performance-based warrant charges with Merrill Lynch. These charges will be recorded in the periods in which the warrants are earned.

### Cost of Revenues

Cost of revenues consist primarily of fees payable to distributors of MultexNET and Multex OnDemand, royalties payable to the authors of investment research and content, internal and external development costs incurred for MultexEXPRESS customers, research department costs related to the collection and processing of financial data and global earnings estimates, and data communications costs.

Cost of revenues increased 2.0% to \$5.8 million for the quarter ended March 31, 2002 from \$5.7 million for the quarter ended March 31, 2001. As a percentage of gross revenues, cost of revenues increased to 25.8% for the quarter ended March 31, 2002 from 19.4% for the quarter ended March 31, 2001. The increase in cost of revenues was primarily due to the addition of new data feeds used in the Company's products. On a sequential basis, cost of revenues declined 1%, reflecting lower telecommunication charges and compensation expenses.

9

### Operating Expenses

**SALES AND MARKETING.** Sales and marketing expenses consist primarily of salaries, commissions, advertising, public relations, tradeshow expenses and costs of marketing materials. Sales and marketing expenses decreased 17.6% to \$5.5 million for the quarter ended March 31, 2002 from \$6.7 million for the quarter ended March 31, 2001. As a percentage of gross revenues, sales and marketing expenses increased to 24.5% for the quarter ended March 31, 2002 from 22.8% for the quarter ended March 31, 2001. The decrease in sales and marketing expenses was primarily due to lower advertising and marketing expenditures and lower commissions resulting from a decrease in sales.

**RESEARCH AND DEVELOPMENT.** Research and development expenses consist primarily of salaries and benefits. Research and development expenses decreased 43.0% to \$1.5 million for the quarter ended March 31, 2002 from \$2.6 million for the quarter ended March 31, 2001. As a percentage of gross revenues, research and development expenses decreased to 6.6% for the quarter ended March 31, 2002 from 8.8% for the quarter ended March 31, 2001. The decrease in research and development expenses in dollar terms was primarily attributable to a decline in the number of developers on staff and an increase in the number of capitalized internally developed software projects.

**GENERAL AND ADMINISTRATIVE.** General and administrative expenses consist primarily of salaries and benefits, fees for professional services and consultants, facility expenses, overhead, and office supplies and expenses. General and administrative expenses decreased 12.0% to \$7.2 million for the quarter ended March 31, 2002 from \$8.2 million for the quarter ended March 31, 2001. As a percentage of gross revenues, general and administrative expenses increased to 31.9% for the quarter ended March 31, 2002 from 27.7% for the quarter ended March 31, 2001. The decrease, in aggregate dollars, in general and administrative expenses reflects lower compensation costs, professional fees and office expenses.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expenses consist

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primarily of depreciation related to fixed assets, computer equipment and software, and leasehold improvements, and amortization related to recently acquired companies and the cost of warrants issued to Merrill Lynch & Co., Inc. Depreciation and amortization for the quarter ended March 31, 2002 increased 20.9% to \$4.5 million, compared to \$3.8 million for the quarter ended March 31, 2001. This increase was due to an increase in capitalized software costs, and additional computer purchases and leasehold improvements in 2001, offset in part by a decrease in amortization of goodwill.

### Income (loss) from Operations

Loss from operations totaled \$2.0 million for the quarter ended March 31, 2002, compared to income from operations of \$2.5 million for the quarter ended March 31, 2001. Loss from operations reflects a decline in revenues, an increase in cost of revenues, depreciation and amortization, offset in part by a decrease in sales and marketing, research and development and general and administrative expenses.

### Interest Income (Expense)

Net interest income decreased 56.4% to \$247,000 for the quarter ended March 31, 2002 from \$566,000 for the quarter ended March 31, 2001. The decrease in net interest income is primarily attributable to a decline in interest rates and a lower cash balance.

### Equity in Loss from Unconsolidated Business

Equity in loss of unconsolidated business reflects a \$186,000 loss the Company recognized from its equity investment in TheMarkets.com LLC. This investment was completed in the quarter ended September 30, 2001. There were no comparable transactions in the first quarter ended March 31, 2001.

### Income Taxes

Income tax expense totaled \$90,000 for the first quarter ended March 31, 2002 and for the quarter ended March 31, 2001. Income tax expense consists of state and local franchise taxes.

10

At December 31, 2001, Multex had net operating loss carryforwards of approximately \$63.2 million and research and development credits of approximately \$2.3 million for income tax purposes that expire in 2009 through 2020. The utilization with regard to timing and amount of the Company's net operating loss carryforwards may be limited due to changes in the Company's ownership pursuant to Section 382 of the Internal Revenue Code.

### Net income (loss)

The Company recorded a net loss of \$2.0 million, or a net loss per share of \$0.06, for the first quarter ended March 31, 2002 compared to net income of \$3.0 million, or earnings per share of \$0.09, for the quarter ended March 31, 2001.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, and also at December 31, 2001, we had \$41.8 million of cash, cash equivalents and marketable securities.

Net cash provided by operating activities was \$1.6 million for the three months ended March 31, 2002. This amount primarily consisted of the Company's net loss

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of \$2.0 million, reduced by noncash expenses of \$5.2 million, increases in accounts payable and accrued expenses of \$.9 million, offset in part by increases in accounts receivable and other current assets of \$2.1 million, and decreases in deferred revenues and other liabilities of \$0.4 million.

Net cash used by investing activities was \$6.6 million for the three months ended March 31, 2002. This amount includes purchases of marketable securities of \$5.1 million and purchases of property and equipment of \$1.5 million.

Our principal commitments consist of obligations outstanding under lease agreements for offices. In addition, under certain circumstances we may be required to provide additional funding for an investment that we account for under the equity method.

We believe that our existing cash, cash equivalents and marketable securities balances will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next twelve months.

### CRITICAL ACCOUNTING POLICIES

We consider accounting policies related to impairment of goodwill and intangible assets to be critical due to the estimation process involved.

At March 31, 2002, goodwill and intangible assets totaled \$21.1 million. With regard to these assets, events that would cause us to conduct an impairment assessment include significant losses of customers, operating results of acquired businesses that continually failed to meet management's performance expectations, and diminished utility of acquired technology. In assessing the fair market value of goodwill and intangibles, we must make assumptions regarding estimated future cash flows. If, after conducting such assessment, indications of impairment are present in long-lived assets, the estimated future undiscounted cash flows associated with the corresponding assets would be compared to its carrying amounts to determine if a change in useful life or a write-down to fair value is necessary. If these estimates or related assumptions change, we may be required to record impairment charges for these assets.

### RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

#### MULTEX'S BUSINESS COULD BE MATERIALLY AND ADVERSELY AFFECTED BY THE CURRENT (OR ANY FUTURE) DOWNTURN IN THE FINANCIAL SERVICES INDUSTRY

We are dependent upon the continued demand for the distribution of investment research and other information over the Internet, which makes our business susceptible to downturns in the financial services industry. Our current results of operations reflect, in part, the effects of the current slowdown in our markets. The September 11, 2001 terrorist attacks affected many of our customers located in and around the World Trade Center, which, together with the

11

broader effects of the terrorist attacks, compounded the effects of an already slow global economy. In addition, U.S. financial institutions are continuing to consolidate, increasing the leverage of our information providers to negotiate prices and decreasing the overall potential market for some of our services. Weakness in the financial services industry has adversely impacted our subscription renewal rates and may continue to do so. These effects may continue and may worsen if our customers and clients do not recover or if additional events adverse to the global economy or the financial services industry occur.

MULTEX'S BUSINESS WOULD BE MATERIALLY AND ADVERSELY AFFECTED IF THE MARKET FOR

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### ONLINE INVESTMENT RESEARCH DOES NOT CONTINUE TO GROW

In order to be successful, we must increase our revenues from subscription fees for MULTEXNET, and from development, hosting, license, and subscription fees for MULTEXEXPRESS. We must generate additional sales of investment research on a pay-per-view basis through MULTENET ONDEMAND, attract more users to and generate more leads for our sponsors from MULTEX INVESTOR, and increase the total license fees generated from the MARKET GUIDE database. Our recent results of operations with respect to MULTEX INVESTOR reflect the adverse effects of lack of growth (and even contraction) in certain of our markets. In order to accomplish our objectives, we must:

- o anticipate and adapt to the changing Internet and financial markets;
- o attract and retain more subscribers, research and data contributors, and technology and business partners;
- o successfully execute our sales, marketing, and branding strategies, both domestically and internationally;
- o attract, retain and motivate qualified personnel;
- o respond to actions taken by our competitors;
- o continue to build an infrastructure to effectively manage our business and handle any future changes in usage; and
- o integrate acquired businesses, technologies, assets, products and services.

If we are unsuccessful in addressing these risks or in executing our business strategy going forward, our business, results of operations, and financial condition would be materially and adversely affected.

### THE MARKETS FOR OUR PRODUCTS AND SERVICES CHANGE RAPIDLY

The market for the distribution of investment research and other information over the Internet is rapidly evolving, and demand and market acceptance for these services continue to be subject to a high level of uncertainty. The market relating to retail investing has deteriorated considerably in the 18 months, and all of our markets continue to face considerable uncertainty. It is difficult to predict with any assurance the growth rate, if any, and the ultimate size, of our markets. We cannot assure you that the markets for our services will recover, will continue to develop, or that our services will ever achieve broad market acceptance. If our customers are not able to recover from the effects of the continued downturn in the global economy; if the market for our services weakens further, develops more slowly than expected once recovery begins, or becomes saturated with competitors; if our services do not achieve broad market acceptance; or if pricing becomes subject to further competitive pressures, our business, results of operations and financial condition would be materially and adversely affected.

### CUSTOMER CONCENTRATION

Historically, a significant portion of the Company's revenues in any particular period has been attributable to a small number of customers. The composition of the Company's largest customers has varied from year to year. Sales to the Company's three largest customers accounted for approximately 20.4%, 21.5% and 22.1% of the Company's revenues during fiscal 1999, 2000 and 2001, respectively. Moreover, sales by the Company to Merrill Lynch & Co. accounted for approximately 10.2%, 13.5% and 11.1% of revenues in fiscal 1999, 2000 and 2001, respectively. The loss of any significant customer, including Merrill Lynch & Co., could have a material adverse affect on the Company's business, financial

condition and results of operations.

12

MULTEX'S BUSINESS COULD BE MATERIALLY AND ADVERSELY AFFECTED  
BY PRESSURES OF COMPETITION

The market for the distribution of investment research and other information over the Internet is intensely competitive. We currently face strong competition in many of our markets. Increased competition could result in price reductions, reduced gross margins and loss of market share, any of which could have a material and adverse effect on our business, results of operations and financial condition. We currently face direct and indirect competition for contributors of investment research and other reports, and for subscribers, from large and well-established distributors of financial information, such as Thomson Financial Services. Some of our competitors enjoy exclusive distribution arrangements with major financial institutions. We also compete with, among others:

- o companies that provide investment research, including investment banks and brokerage firms, many of whom have their own Web sites;
- o other providers of either free or subscription research and data services on the Internet;
- o services provided by some of our strategic distributors that are competitive in one or more respects with our service offerings;
- o prospective competitors that offer investment research-based services;
- o various written publications, including traditional media, investment newsletters, personal financial magazines and industry research appearing in financial periodicals;
- o services provided by in-house management information services personnel and independent systems integrators;
- o providers of reports filed under the Securities Exchange Act of 1934 and other filings with the Securities and Exchange Commission;
- o Standard & Poor's company-specific reports; and o Value Line investment research reports.

Whether or not our competitors are successful, competition with these entities or information sources may materially and adversely affect our business, results of operations, and financial condition. It is also possible that new competitors may emerge and rapidly acquire significant market share.

THE LOSS OF ANY OF MULTEX'S KEY PERSONNEL COULD HAVE A MATERIAL  
AND ADVERSE EFFECT

Our future success will depend, in substantial part, on the continued service of our senior management team, none of whom has entered into an employment agreement with us other than a non-competition/non-disclosure agreement. The loss of the services of one or more of our key personnel could have a material and adverse effect on our business, results of operations and financial condition. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications.

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### DOING BUSINESS INTERNATIONALLY SUBJECTS US TO ADDITIONAL REGULATORY REQUIREMENTS, TAX LIABILITIES AND OTHER RISKS

There are risks inherent in doing business in international markets, including unexpected changes in regulatory requirements, potentially adverse tax consequences, export restrictions and controls, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, political instability, fluctuations in currency exchange rates, and seasonal reductions in business activity during the summer months in Europe and various other parts of the world, any of which could have a material and adverse effect on the success of our international operations and, consequently, on our business, results of operations and financial condition. Furthermore, we cannot assure you that governmental regulatory agencies in one or more foreign countries will not determine that the services provided by us constitute the provision of investment advice, which could result in our having to register in these countries as an investment advisor or in our having to cease selling our services in these countries, either of which could have a material and adverse effect on our business, results of operations and financial condition.

13

### MULTEX'S RECOVERY FROM THE SEPTEMBER 11TH TERRORIST ATTACKS MAY NOT PROCEED AS EXPECTED

Multex has allocated significant resources to its recovery efforts resulting from the aftermath of the September 11, 2001 terrorist attacks. We may continue to incur significant additional expenses as a result of increased security requirements and other related costs. In addition, many of Multex's customers are still in the midst of efforts to recover from the attacks. Those efforts may or may not be successful, or may happen more slowly than anticipated.

BECAUSE MULTEX'S BUSINESS IS DEPENDENT UPON NETWORK AND COMPUTER SYSTEMS LOCATED IN ONE AREA, WE ARE SUSCEPTIBLE TO PROBLEMS CAUSED BY NATURAL DISASTERS, TERRORIST ATTACKS, POWER FAILURES, SYSTEM FAILURES, SECURITY BREACHES OR OTHER DAMAGE TO OUR SYSTEM

Our electronic distribution of investment research utilizes proprietary technology that resides principally in New York City. The continued and uninterrupted performance of our network and computer systems is critical to our success. There can be no assurance that such solutions can be implemented in a timely and cost-effective manner, or at all. Any natural disaster, attack, power outage or system failure that causes interruptions in our ability to provide our services to our customers, including failures that affect our ability to collect research from our information providers or provide electronic investment research to our users, could reduce customer satisfaction and, if sustained or repeated, would reduce the attractiveness of our services. An increase in the volume of research reports handled by our systems, or in the rate of requests for this research, could strain the capacity of our software or hardware, which could lead to slower response times or system failures. Furthermore, we face the risk of a security breach of our systems that could disrupt the distribution of research and other reports and information. Our business, results of operations and financial condition could be materially and adversely affected if any of these problems occur or recur.

Our operations are dependent on our ability to protect our network and computer systems against damage from computer viruses, fire, power loss, data communications failures, vandalism and other malicious acts, and similar unexpected adverse events, such as the September 11, 2001 terrorist attacks. We continue to devote resources towards our recovery from the September 11, 2001 disaster and protecting our infrastructure against any similar disaster in the

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future. In addition, the failure of our communications providers to provide the data communications capacity in the time frame required by us, as occurred, for example, in the aftermath of the September 11th attacks, could again cause interruptions in the delivery of our services.

### THE MARKET PRICE OF OUR SHARES MAY EXPERIENCE EXTREME PRICE AND VOLUME FLUCTUATIONS

The stock market has, from time to time, experienced extreme price and volume fluctuations. The market prices of the securities of Internet-related companies have been especially volatile, including fluctuations that are often unrelated to the operating performance of the affected companies. Broad market fluctuations of this type have adversely affected, and may continue to adversely affect the market price of our common stock. The market price of our common stock has been, and could continue to be, subject to significant fluctuations due to a variety of factors, including:

- o public announcements concerning us or our competitors, or the Internet generally;
- o fluctuations in operating results;
- o downturns in the financial services industry generally or the market for securities trading in particular;
- o introductions of new products or services by us or our competitors;
- o future sales of shares of our common stock by major shareholders;
- o future sales of shares issuable upon the exercise of outstanding options and warrants in the public market;
- o changes in analysts' earnings estimates; and
- o announcements of technological innovations.

In the past, companies that have experienced volatility in the market price of their stock have been the target of securities class action litigation. We are currently involved in securities class action litigation that could result in substantial costs and a diversion of our management's attention and resources and could have a material adverse effect on our business, results of operation and financial condition. We may be subject to further suits in the future.

14

### OUR EXECUTIVE OFFICERS, DIRECTORS AND 5% OR GREATER STOCKHOLDERS SIGNIFICANTLY INFLUENCE ALL MATTERS REQUIRING A STOCKHOLDER VOTE

Our executive officers, directors and existing stockholders who each own greater than 5% of the outstanding common stock and their affiliates, in the aggregate, beneficially own approximately 50% of our outstanding common stock. As a result, our executive officers, directors and 5% or greater stockholders will be able to significantly influence the outcome of all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control.

### DISTRIBUTION AND OTHER FEES TO RESEARCH PROVIDERS AND STRATEGIC PARTNERS INCREASE MULTEX'S COSTS



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Royalties and distribution fees payable to our information providers and strategic partners to obtain distribution rights to research reports included in MULTEX ONDEMAND constitute a significant portion of our cost of revenues. We face from time to time considerable competitive pressure to increase these royalties. Such increases have materially affected our results of operations as described herein. If we are required to further increase the royalties or fees payable to these information providers or strategic partners, these increased payments could have additional material and adverse effects on our business, results of operations and financial condition.

THE INADVERTENT DISTRIBUTION OF RESEARCH REPORTS COULD RESULT IN A CLAIM FOR DAMAGES AGAINST MULTEX OR HARM OUR REPUTATION

Under certain of our contracts we are required to restrict distribution of financial information to those users who have been authorized or entitled to access the report by the information provider. We might inadvertently distribute a particular report to a user who is not so authorized or entitled, which could subject us to a claim for damages by the information provider or which could harm our reputation in the marketplace, either of which could have a material and adverse effect on our business, results of operations and financial condition.

WE MAY BE SUBJECT TO LEGAL CLAIMS IN CONNECTION WITH THE CONTENT WE PUBLISH AND DISTRIBUTE ON THE INTERNET

As a publisher and distributor of online content, we face potential direct and indirect liability for claims of defamation, negligence, copyright, patent or trademark infringement, violation of the securities laws and other claims based upon the reports and data that we publish. For example, by distributing a negative investment research report, we may find ourselves subject to defamation claims, regardless of the merits of such claims. Computer failures or human error may also result in incorrect data being published and distributed widely. In these and other circumstances, we might be required to engage in protracted and expensive litigation, which could have the effect of diverting management's attention and require us to expend significant financial resources. Our general liability insurance may not cover all of these claims or may not be adequate to protect us against all liability that may be imposed. Any claims or resulting litigation could have a material and adverse effect on our business, results of operations and financial condition.

IF THE INTERNET INFRASTRUCTURE IS NOT ADEQUATELY MAINTAINED, WE MAY BE UNABLE TO PROVIDE INVESTMENT RESEARCH AND INFORMATION SERVICES IN A TIMELY MANNER

Our future success will depend, in substantial part, upon the maintenance of the Internet infrastructure, including a reliable network backbone with the necessary speed, data capacity and security, and the timely development of enabling products for providing reliable and timely Internet access and services. Our temporary loss of Internet data communications due to the September 11th terrorist attacks illustrates this risk. There can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it or that the performance or reliability of the Internet will not be adversely affected. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure or otherwise, and these outages or delays could adversely affect the web sites of our contributors, subscribers or distributors.

15

WE MAY BECOME SUBJECT TO BURDENSOME GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES

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The laws governing the Internet remain largely unsettled, even in areas where there has been legislative action. Legislation and/or regulation could dampen the growth in the use of the Internet generally and decrease the acceptance of the Internet as a communications and commercial medium, which could have a material and adverse effect on our business, results of operations and financial condition. In addition, due to the global nature of the Internet, it is possible that, although transmissions relating to our services originate mainly in the State of New York, governments of other states, the United States or foreign countries might attempt to regulate our services or levy sales or other taxes on our activities. We cannot assure you that violations of local or other laws will not be alleged or charged by local, state, federal or foreign governments, that we might not unintentionally violate these laws or that these laws will not be modified, or new laws enacted, in the future. Any of these developments could have a material and adverse effect on our business, results of operations and financial condition.

16

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

NONE

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

NONE

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

#### ITEM 5. OTHER INFORMATION

On April 23, 2002, Maurice Miller was appointed to the Multex Board of Directors.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: NONE

(b) Reports on Form 8-K: NONE

17

#### ITEM 7. SIGNATURES

Pursuant to the requirements of the Securities Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MULTEX.COM, INC.

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(Registrant)

Date: May 14, 2002

/s/ ISAAK KARAEV

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Name: Isaak Karaev  
Title: Chief Executive Officer

Date: May 14, 2002

/s/ JEFFREY S. GEISENHEIMER

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Name: Jeffrey S. Geisenheimer  
Title: Chief Financial Officer