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For immediate release:

**ALLOY REPORTS FULL YEAR AND FOURTH QUARTER FISCAL 2006
FINANCIAL RESULTS**

- *Full Year Free Cash Flow Up 12% to \$14.9 Million; Fourth Quarter Free Cash Flow Down 4% to \$2.1 Million*
- *Full Year Adjusted EBITDA Up 10% to \$19.0 Million; Fourth Quarter Adjusted EBITDA Flat at \$3.0 Million*

New York, NY – March 13, 2007 - Alloy, Inc. (Nasdaq: ALOY), under the banner of Alloy Media + Marketing, a leading provider of media and marketing services connecting with targeted consumer segments, today reported strong growth in Operating Income, Adjusted EBITDA and free cash flow for the full fiscal year ended January 31, 2007 (“fiscal 2006”) and for the fourth quarter.

Results for Fiscal 2006

For fiscal 2006, Adjusted EBITDA, defined as Operating Income (Loss) plus depreciation and amortization, special charges and non-cash stock based compensation increased \$1.8 million, or 10%, to \$19.0 million compared with \$17.3 million for the year ended January 31, 2006 (“fiscal 2005”). Promotion, Media, and Placement Adjusted EBITDA increased 13% to \$12.4 million; 4% to \$9.4 million; and 1% to \$5.8 million, respectively, while Corporate Adjusted EBITDA decreased 1% to (\$8.6) million.



Free cash flow in fiscal 2006, defined as net income (loss) from continuing operations plus depreciation and amortization, Special Charges, stock-based compensation, debt conversion expense and amortization of deferred financing costs less capital expenditures, was approximately \$14.9 million, or \$1.19 per share, compared with \$13.3 million, or \$1.15 per share, in fiscal 2005, an improvement of \$1.6 million, or 12%. Capital expenditures for fiscal 2006 were \$2.4 million compared with \$0.7 million in fiscal 2005.

Commenting on the fiscal year and fourth quarter financial results, Matt Diamond, Chairman and Chief Executive Officer stated, "I am very pleased that we were able to demonstrate for a second consecutive year Alloy's ability to deliver significant Adjusted EBITDA and free cash flow. Over the past two years, Adjusted EBITDA has grown from \$4.8 million to \$19.0 million, representing a compound annual growth rate of about 200%." Mr. Diamond added, "We are committed to taking the necessary steps to create shareholder value as evidenced by our effecting the conversion of 98% of our debentures, our repurchase of \$10 million of our common stock, our completion of several strategic acquisitions and our continued investment in high margin media assets."

Revenue in fiscal 2006 increased to \$196.1 million from \$195.3 million in fiscal 2005, reflecting an 8% growth in our Media Segment, a 2% growth in our Promotion Segment and an 8% decrease in our Placement Segment. Revenue in our Media Segment was \$46.3 million in fiscal 2006 compared with \$43.0 million in fiscal 2005. The increase is primarily attributable to strong sales momentum in our interactive, education and entertainment units. Revenue in our Promotion Segment was \$96.0 million in fiscal 2006 compared with \$93.8 million in fiscal 2005. The increase is principally attributable to growth in our on campus marketing and sampling businesses, partially offset by lower revenue from sales of promotions and sponsorships, which was principally attributable to the non-recurrence of revenue for a fiscal 2005 mall marketing promotion. Revenue in our Placement Segment was \$53.8 million in fiscal 2006 compared with \$58.5 million in fiscal 2005. The decrease is attributable to a reduction in multicultural newspaper and broadcasting advertising placements. In the quarter, we moved a piece of our Media Segment business, which was involved with sampling, to the Promotion Segment. All historical amounts by segment have been reclassified for comparative purposes.

Operating Income increased \$36.9 million to \$12.7 million in fiscal 2006 from a loss of \$24.2 million in fiscal 2005. Effective February 1, 2006, the Company adopted SFAS 123R, "Share-



Based Payment” using the modified–prospective application method. Accordingly, prior period results have not been restated. Stock-based compensation expense in fiscal 2006 was \$2.8 million compared with \$0.3 million in fiscal 2005. In fiscal 2006 we recorded Special Charges of \$0.1 million compared with \$36.2 million in fiscal 2005. The Special Charges in fiscal 2005 resulted from a \$32.7 million non-cash goodwill and long-lived asset impairment charge and \$3.5 million of expenses related to the dELiA*s, Inc. spinoff, while the fiscal 2006 Special Charges were attributable to expenses related to the dELiA*s, Inc. spinoff. Excluding the Special Charges, our Operating Income would have increased \$0.8 million to \$12.8 million in fiscal 2006 compared with \$12.0 million in fiscal 2005. The improvement in Operating Income excluding the Special Charges is primarily attributable to revenue growth in the Media and Promotion Segments and cost control programs, partially offset by higher stock-based compensation.

Loss from continuing operations decreased \$20.8 million, or 74%, to \$7.2 million, or \$0.58 per share, in fiscal 2006 from \$28.0 million, or \$2.41 per share, in fiscal 2005. The improvement is primarily attributable to the higher operating and interest income and lower interest expense, partially offset by \$17.9 million of expenses related to the conversion of \$67.9 million of our convertible debentures to common stock.

Net loss attributable to common stockholders decreased \$28.9 million, or 80%, to \$7.2 million, or \$0.58 per share, in fiscal 2006 from \$36.1 million, or \$3.12 per share, in fiscal 2005. The difference between loss from continuing operations and net loss attributable to common stockholders is the fiscal 2005 loss from discontinued operations of \$7.5 million and \$0.6 million of dividends on redeemable convertible preferred stock.

Weighted average shares outstanding increased 0.9 million, or 8%, to 12.5 million from 11.6 million in fiscal 2005. The increase was principally attributable to the issuance of approximately 2.0 million shares of common stock in connection with the conversion of our debentures, partially offset by the repurchase of approximately 1.0 million shares of common stock.



The tables below present the Company's revenue, Adjusted EBITDA and Operating Income by segment for fiscal 2006 and 2005:

(In thousands)

	Fiscal Year Ended Jan 31,		Change	
	2007	2006	\$	%
Revenue				
Promotion	\$95,979	\$93,831	\$2,148	2.3%
Media	46,287	42,965	3,322	7.7
Placement	53,838	58,528	(4,690)	(8.0)
Total Revenue	<u>\$196,104</u>	<u>\$195,324</u>	<u>\$780</u>	0.4%
Adjusted EBITDA				
Promotion	\$12,431	\$10,960	\$1,471	13.4%
Media	9,413	9,083	330	3.6
Placement	5,797	5,730	67	1.2
Corporate	(8,638)	(8,521)	(117)	(1.4)
Total Adjusted EBITDA	<u>\$19,003</u>	<u>\$17,252</u>	<u>\$1,751</u>	10.1%
Operating Income (Loss)*				
Promotion	\$11,077	\$9,740	\$1,337	13.7%
Media	6,638	(8,077)	14,715	NM
Placement	5,629	(12,619)	18,248	NM
Corporate	(10,658)	(13,292)	2,634	19.8
Total Operating Income	<u>\$12,686</u>	<u>\$(24,248)</u>	<u>\$36,934</u>	NM

* From continuing operations.

NM – Not meaningful

Results for the Fourth Quarter

Revenue in the fourth quarter of fiscal 2006 decreased \$2.3 million, or 5%, to \$40.9 million from \$43.2 million in the comparable period of fiscal 2005, due to a 15% decrease in Promotion



Segment revenue, partially offset by a 5% increase in Placement Segment revenue. The decrease in Promotion Segment revenue was partially attributable to the non-recurrence of \$2.2 million of revenue attributable to a fiscal 2005 mall marketing promotion.

Adjusted EBITDA for both quarterly periods was \$3.0 million.

Operating Income increased \$33.4 million to \$1.4 million in the fourth quarter of fiscal 2006 from a \$32.1 million operating loss in the same period of fiscal 2005. Adjusting the fiscal 2005 fourth quarter operating loss to exclude Special Charges, our Operating Income would have decreased \$0.6 million in the fourth quarter of fiscal 2006 when compared with the adjusted 2005 amount. The decrease was principally attributable to a \$0.7 million increase in stock-based compensation.

Loss from continuing operations for the quarter decreased \$32.3 million, or 98%, to \$0.7 million, or \$0.05 per share, in fiscal 2006 from \$33.0 million, or \$2.78 per share, in the fourth quarter of fiscal 2005. The improvement is primarily attributable to the decreased operating loss and higher interest income, partially offset by debt conversion expenses of \$2.1 million.

For the fourth quarter of fiscal 2006, free cash flow was approximately \$2.1 million, or \$0.16 per share, compared with \$2.2 million, or \$0.19 per share, in 2005's fourth quarter, a decrease of \$0.1 million, or 4%. Capital expenditures in the fourth quarter of fiscal 2006 were \$0.9 million compared with a nominal amount in the fourth quarter of fiscal 2005.

The tables below present the Company's revenue, Adjusted EBITDA and Operating Income by segment for the three-month periods ended January 31, 2007 and 2006:

(In thousands)

	Three Months Ended Jan		Change	
	2007	31, 2006	\$	%
Revenue				
Promotion	\$17,259	\$20,273	\$(3,014)	(14.9)%
Media	10,765	10,752	13	0.1
Placement	12,833	12,186	647	5.3
Total Revenue	\$40,857	\$43,211	\$(2,354)	(5.4)%
Adjusted EBITDA				
Promotion	\$2,956	\$2,489	\$467	18.8%



Media	1,710	1,857	(147)	(7.9)
Placement	899	891	8	0.9
Corporate	<u>(2,544)</u>	<u>(2,228)</u>	<u>(316)</u>	(14.2)
Total Adjusted EBITDA	<u>\$3,021</u>	<u>\$3,009</u>	<u>\$12</u>	0.4%
Operating Income (Loss)*				
Promotion	\$2,536	\$2,230	\$306	13.7%
Media	1,008	(13,402)	14,410	NM
Placement	848	(16,989)	17,837	NM
Corporate	<u>(3,040)</u>	<u>(3,905)</u>	<u>865</u>	22.2
Total Operating Income (Loss)	<u>\$1,352</u>	<u>\$(32,066)</u>	<u>\$33,418</u>	NM

* From continuing operations

NM – Not meaningful

BUSINESS OUTLOOK

Consistent with last year, we are not providing earnings per share or Adjusted EBITDA target ranges for the year at this time.

About Alloy

Alloy, Inc., under the banner of Alloy Media + Marketing (AM+M), is a widely recognized pioneer in non-traditional marketing. Working with AM+M, marketers reach consumers through a host of programs incorporating Alloy's diverse array of media and marketing assets and expertise in direct mail, college and high school media, interactive, display media, college guides, promotional and social network marketing. For further information regarding Alloy, please visit our corporate website at www.alloymarketing.com.



Forward-Looking Statements

This announcement may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding our expectations and beliefs regarding our future results or performance. Because these statements apply to future events, they are subject to risks and uncertainties. When used in this announcement, the words "anticipate", "believe", "estimate", "expect", "expectation", "project" and "intend" and similar expressions are intended to identify such forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements. Additionally, you should not consider past results to be an indication of our future performance. Factors that might cause or contribute to such differences include, among others, our ability to: increase revenues; generate high margin sponsorship and multiple revenue streams; increase visitors to our websites (www.alloy.com, www.delias.com, and www.ccs.com) and build customer loyalty; develop our sales and marketing teams and capitalize on these efforts; develop commercial relationships with advertisers and the continued resilience in advertising spending to reach the teen market; manage the risks and challenges associated with integrating newly acquired businesses; and identify and take advantage of strategic, synergistic acquisitions and other revenue opportunities. Other relevant factors include, without limitation: our competition; seasonal sales fluctuations; the uncertain economic and political climate in the United States and throughout the rest of the world, and the potential that such climate may deteriorate further; and general economic conditions. For a discussion of certain of the foregoing factors and other risk factors see the "Risk Factors That May Affect Future Results" section included in our annual report on Form 10-K for the year ended January 31, 2006, and in subsequent filings that we make with the Securities and Exchange Commission. We do not intend to update any of the forward-looking statements after the date of this announcement to conform these statements to actual results, to changes in management's expectations or otherwise, except as may be required by law.



ALLOY, INC.

SUPPLEMENTAL DISCLOSURES REGARDING NON-GAAP FINANCIAL INFORMATION

(In millions)

A. Adjusted EBITDA

The following tables set forth the Company's Adjusted EBITDA for the three month period and year ended January 31, 2007 and 2006. The Company defines Adjusted EBITDA as net loss adjusted to exclude the following line items and amounts presented in its Statement of Operations: income (loss) from discontinued operations, income taxes, other items, debt conversion expense, interest income, interest expense, special charges, depreciation and amortization and stock-based compensation expense.

The Company uses Adjusted EBITDA, among other things, to evaluate the Company's operating performance and to value prospective acquisitions. The measure is also one of several components of incentive compensation targets for certain management personnel, and this measure is among the primary measures used by management for planning and forecasting future periods. The Company believes that this measure is an important indicator of the Company's operational strength and performance of its business because it provides a link between profitability and operating cash flow. The Company believes the presentation of this measure is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by the Company's management, helps improve their ability to understand the Company's operating performance and makes it easier to compare the Company's results with other companies that have different financing and capital structures or tax rates. In addition, this measure is also among the primary measures used externally by the Company's investors, analysts and peers in its industry for purposes of valuation and comparing the operating performance of the Company to other companies in the industry.

Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, it should not be considered as a substitute for net income or as an isolated indicator of operating performance. Adjusted EBITDA, as the Company calculates it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure does not necessarily represent funds available for discretionary use, and is not necessarily a measure of the Company's ability to fund its cash needs. As Adjusted EBITDA excludes certain financial information compared with net income, the most directly comparable GAAP financial measure, users of this financial information should consider the types of events and transactions that are excluded. As required by the Securities and Exchange Commission ("SEC"), the Company provides below a reconciliation of Adjusted EBITDA to net income (loss).



	Three Months Ended		Fiscal Year Ended	
	January 31,		January 31,	
	2007	2006	2007	2006
Net Loss	(\$0.4)	(\$23.8)	(\$7.0)	(\$35.5)
Plus:				
(Income) Loss from Discontinued Operations	--	(9.2)	--	7.5
Income Taxes	0.0	0.1	0.5	0.4
Debt Conversion Expense	2.1	--	17.9	--
Interest Income	(0.4)	(0.3)	(1.6)	(0.9)
Interest Expense	--	1.1	2.9	4.3
Special Charges	--	34.1	0.1	36.2
Depreciation and Amortization	0.9	0.9	3.4	5.0
Stock-based Compensation (included in General and Administrative Expenses)	0.8	0.1	2.8	0.3
Adjusted EBITDA	<u>\$3.0</u>	<u>\$3.0</u>	<u>\$19.0</u>	<u>\$17.3</u>

Three Months Ended January 31, 2007

	Adjusted EBITDA	Depreciation and Amortization	Stock-based Compensation	Special Charges	Operating Income (loss)
Promotion	\$3.0	\$0.3	\$0.2	--	\$2.5
Media	1.7	0.4	0.3	--	1.0
Placement	0.9	--	--	--	0.9
Corporate	(2.6)	0.2	0.3	--	(3.1)
Total	<u>\$3.0</u>	<u>\$0.9</u>	<u>\$0.8</u>	<u>--</u>	<u>\$1.3</u>

Three Months Ended January 31, 2006

	Adjusted EBITDA	Depreciation and Amortization	Stock-based Compensation	Special Charges	Operating Income (loss)
Promotion	\$2.5	\$0.2	--	--	\$2.3
Media	1.8	0.4	--	14.8	(13.4)
Placement	0.9	--	--	17.9	(17.0)
Corporate	(2.2)	0.3	0.1	1.4	(4.0)
Total	<u>\$3.0</u>	<u>\$0.9</u>	<u>\$0.1</u>	<u>\$34.1</u>	<u>\$(32.1)</u>



Fiscal Year Ended January 31, 2007

	Adjusted EBITDA	Depreciation and Amortization	Stock-based Compensation	Special Charges	Operating Income (loss)
Promotion	\$12.4	\$0.8	\$0.5	--	\$11.1
Media	9.4	1.8	1.0	--	6.6
Placement	5.8	--	0.2	--	5.6
Corporate	(8.6)	0.8	1.1	0.1	(10.6)
Total	\$19.0	\$3.4	\$2.8	\$0.1	\$12.7

Fiscal Year Ended January 31, 2006

	Adjusted EBITDA	Depreciation and Amortization	Stock-based Compensation	Special Charges	Operating Income (loss)
Promotion	\$11.0	\$1.2	--	\$ --	\$9.8
Media	9.1	2.3	0.1	14.8	(8.1)
Placement	5.7	0.5	--	17.9	(12.7)
Corporate	(8.5)	1.0	0.2	3.5	(13.2)
Total	\$17.3	\$5.0	\$0.3	\$36.2	\$(24.2)

B. Free Cash Flow

Free cash flow is defined by the Company as net income (loss) from continuing operations plus depreciation and amortization, special charges, stock-based compensation, debt conversion expense and amortization of deferred financing costs less capital expenditures. The Company uses free cash flow, among other measures, to evaluate its operating performance. Management believes free cash flow provides investors with an important perspective on the Company's cash available to service debt and the Company's ability to make strategic acquisitions and investments, maintain its capital assets, repurchase its Common Stock and fund ongoing operations. As a result, free cash flow is a significant measure of the Company's ability to generate long-term value. The Company believes the presentation of free cash flow is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. In addition, free cash flow is also a primary measure used externally by the Company's investors, analysts and peers in its industry for purposes of valuation and comparing the operating performance of the Company to other companies in its industry. Free cash flow per weighted average shares outstanding is defined by the Company as free cash flow divided by the weighted average shares outstanding used in the computation of net income (loss) per share.

As free cash flow is not a measure of performance calculated in accordance with GAAP, free cash flow should not be considered in isolation of, or a substitute for, net income as an indicator of operating performance or net cash flow provided by operating activities as a measure of liquidity. Free cash flow, as the Company calculates it, may not be comparable to similarly titled measures employed by other companies. In addition, free cash flow does not necessarily represent funds available for discretionary



use and is not necessarily a measure of operating cash flow to remove the impact of cash flow timing differences to arrive at a measure which the Company believes more accurately reflects funds available for discretionary use. Specifically, the Company adjusts operating cash flow (the most directly comparable GAAP financial measure) for capital expenditures, deferred taxes, non-recurring expenditures and certain other non-cash items in addition to removing the impact of sources and or uses of cash resulting from changes in operating assets and liabilities. Accordingly, users of this financial information should consider the types of events and transactions, which are not reflected. The Company provides below a reconciliation of free cash flow to the most directly comparable amount reported under GAAP, net cash flow provided by operating activities.

	Three Months Ended January 31,		Fiscal Year Ended January 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(In millions, except per share amounts)				
Net cash provided by operating Activities	\$11.0	\$8.9	\$24.4	\$5.2
Plus (Minus)				
Net cash provided by (used in) operating activities attributable to discontinued operations	--	(2.8)	--	5.6
Changes in operating assets and liabilities	(8.0)	(5.3)	(7.2)	(0.3)
Spinoff and restructuring costs included in Special Charges	--	1.4	0.1	3.5
Capital expenditures	<u>(0.9)</u>	<u>0.0</u>	<u>(2.4)</u>	<u>(0.7)</u>
 Free Cash Flow	 <u>\$2.1</u>	 <u>\$2.2</u>	 <u>\$14.9</u>	 <u>\$13.3</u>
 Weighted Average Shares Outstanding	 <u>13.6</u>	 <u>11.9</u>	 <u>12.5</u>	 <u>11.6</u>
 Free Cash Flow per Share	 <u>\$0.16</u>	 <u>\$0.19</u>	 <u>\$1.19</u>	 <u>\$1.15</u>