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j2 Reports Record Q2 2013 Results; Cloud, Media and Intellectual Property Businesses Generate Strong Returns

Announces Eighth Consecutive Quarterly Dividend Increase

LOS ANGELES--(BUSINESS WIRE)-- j2 Global, Inc. (NASDAQGS:JCOM) today reported financial results for the second quarter ended June 30, 2013, and announced that its Board of Directors has declared an increased quarterly cash dividend of \$0.2475 per share.

- **Record Quarter revenues of \$141.4 million (58% increase versus Q2 2012)**
- **Record Quarterly Free Cash Flow⁽⁴⁾ of \$66.2 million (45.2% increase versus Q2 2012)**
- **Record Quarterly EBITDA⁽³⁾ of \$66.4 million (39.8% increase versus Q2 2012)**
- **Record Quarterly Non-GAAP Earnings Per Diluted Share^{(1) (2)} of \$0.83 (18.6% increase versus Q2 2012)**
- **Record Quarterly Earnings Per Diluted Share of \$0.77 (14.9% increase versus Q2 2012)**
- **Record Quarterly Low Cancel Rate⁽⁵⁾ of 2.21% (versus 2.3% for Q2 2012)**

SECOND QUARTER 2013 RESULTS

Quarterly revenues increased 58% to a record \$141.4 million compared to \$89.5 million for Q2 2012. Exclusive of the impact of a single \$27 million patent license agreement secured during the quarter⁽⁶⁾, \$12.6 million of which was immediately recognized as revenue during the quarter as allocable to past damages, quarterly revenues increased 43.9% to \$128.8 million, which is also a record. Exclusive of the single patent license, these results were driven primarily by our entry into the digital media space during Q4 2012, 43% revenue growth in our digital media business since Q1 2013 and 7.5% growth in our Business Cloud Services versus the year ago quarter.

Earnings per diluted share for the quarter increased 14.9% to a record \$0.77 compared to \$0.67 for Q2 2012. Non GAAP earnings per diluted share⁽¹⁾⁽²⁾ for the quarter increased 18.6% to a record \$0.83 compared to \$0.70 for Q2 2012. j2 achieved these record results even though quarterly earnings per diluted share were impacted by \$0.08 of interest expense not present in Q2 2012, \$0.03 of Digital Media segment non-cash amortization expense and \$0.02 of integration expense associated with j2's acquisition of IGN Entertainment, Inc. (which integration expense is already excluded from the Non-GAAP results presented).

Quarterly EBITDA⁽³⁾ increased 39.8% to a record \$66.4 million compared to \$47.5 million for Q2 2012.

Free cash flow⁽⁴⁾ for the quarter increased 45.2% to a record \$66.2 million compared to \$45.6 million for Q2 2012. Free cash flow for the six months ended June 30, 2013 increased 25.1% to a record \$104.6 million compared to \$83.6 million for the six months ended June 30, 2012.

Cancel rate⁽⁵⁾ for the quarter was a record low 2.21% versus 2.3% for Q2 2012.

Net paid DIDs grew by approximately 34,000 during the quarter, and at quarter-end total net paid DIDs deployed reached an all-time high of 2.19 million.

j2 ended the quarter with approximately \$353 million in cash and investments.

Key financial results for Q2 2013 versus Q2 2012 are set forth in the following table (in millions, except earnings per share). Reconciliations of non-GAAP earnings per diluted share, EBITDA and free cash flow to their nearest comparable GAAP financial measures are attached to this Press Release.

<u>Q2 2013</u>	<u>Q2 2012</u>	<u>% Change</u>
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Revenues	\$141.4 million	\$89.5 million	58.0%
Earnings per Diluted Share ⁽¹⁾	\$0.77	\$0.67	14.9%
Non-GAAP Earnings per Diluted Share ^{(1) (2)}	\$0.83	\$0.70	18.6%
EBITDA ⁽³⁾	\$66.4 million	\$47.5 million	39.8%
Free Cash Flow ⁽⁴⁾	\$66.2 million	\$45.6 million	45.2%

"Our record-setting results were driven by record revenues within our cloud and digital media businesses and the largest quarterly contribution from our intellectual property program," said Hemi Zucker, CEO of j2. "These results are the clearest indication to date that our significant investments to diversify our cloud business, build a media business and create an intellectual property program are bearing financial returns commensurate with those significant investments."

BUSINESS OUTLOOK

j2 is reaffirming its previously increased fiscal 2013 revenues estimate of between \$510 and \$535 million and its previously increased fiscal 2013 non-GAAP earnings per diluted share estimate of between \$2.78 and \$2.98.

It is j2's expectation that the fourth quarter, because of contributions from its Digital Media business, will change from being its seasonally slowest revenue quarter to its seasonally strongest revenue quarter.

Non-GAAP earnings per diluted share for 2013 excludes acquisition-related integration costs of approximately \$4 million and share-based compensation of between \$11 and \$12 million.

It is anticipated that the normalized tax rate for 2013 will be between 25% and 27%.

DIVIDEND

j2's Board of Directors has approved its ninth consecutive quarterly cash dividend, in this case in the amount of \$0.2475 per common share, which is a 3.1% increase versus last quarter's dividend and a 12.5% increase versus the dividend paid in Q3 2012. This is j2's eighth consecutive quarterly dividend increase and represents a 24% increase versus its first quarterly dividend in September 2011. The dividend will be paid on September 3, 2013 to all shareholders of record as of the close of business on August 19, 2013. Future dividends will be subject to Board approval.

Notes:

- (1) The estimated GAAP effective tax rates were approximately 24.7% for Q2 2013 and 23.6% for Q2 2012. The estimated Non-GAAP effective tax rates were approximately 25.8% for Q2 2013 and 24.1% for Q2 2012.
- (2) For Q2 2013, Non-GAAP earnings per diluted share excludes share-based compensation and certain acquisition-related integration costs, in each case net of tax, totaling \$0.05. For Q2 2012, Non-GAAP earnings per diluted share excludes share-based compensation and related payroll taxes, and certain acquisition-related integration costs and gain on sale of an investment, in each case net of tax, totaling \$0.03. Non-GAAP earnings per diluted share amounts are not meant as a substitute for GAAP, but are solely for informational purposes.
- (3) EBITDA is defined as earnings before interest and other expense, net; income tax expense; depreciation and amortization; and the items used to reconcile GAAP to Non-GAAP financial measures referred to in Note (2) above. EBITDA amounts are not meant as a substitute for GAAP, but are solely for informational purposes.
- (4) Free cash flow is defined as net cash provided by operating activities, less purchases of property, plant and equipment, plus excess tax benefit from share-based compensation. Free cash flow amounts are not meant as a substitute for GAAP, but are solely for informational purposes.
- (5) Cancel rate is defined as cancels related to individual customer DIDs with greater than four months of continuous service (continuous service includes customer DIDs administratively cancelled and reactivated within the same calendar month), and DIDs related to enterprise customers beginning with their first day of service. For the quarter, calculated monthly and expressed here as an average over the three months of the quarter. For the year, expressed as an average over the four quarters of the year.
- (6) Pursuant to the patent license agreement secured by j2 with Open Text during Q2 2013, j2 received a \$27 million payment during the quarter. Approximately \$12.6 million of that amount was immediately recognized as revenue during the quarter.

as allocable to past damages, with the balance amortized into revenue through mid-2018. The approximately \$12.6 million in revenues associated with past damages impacted Q2 2013 earnings per diluted share by approximately \$0.18, EBITDA by approximately \$12.6 million and free cash flow by \$27 million. For more information on this patent license agreement please refer to j2's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 25, 2013.

About j2

j2 Global, Inc. (NASDAQGS:JCOM) provides Internet services through its two divisions: Business Cloud Services and Digital Media. The Business Cloud Services Division offers Internet fax, virtual phone, hosted email, email marketing, online backup, unified communications and CRM solutions. It markets its services principally under the brand names eFax[®], eVoice[®], FuseMail[®], Campaigner[®], KeepItSafe[®] and Onebox[®] and operates a messaging network spanning 49 countries on six continents. The Digital Media Division consists of Ziff Davis Inc., which offers technology, gaming and lifestyle content through its digital properties which include PCMag.com, IGN.com, AskMen.com, Toolbox.com and others. Ziff Davis also operates NetShelter Powered by BuyerBase, an advanced digital ad targeting platform, and Ziff Davis B2B, a leading provider of research to enterprise buyers and leads to IT vendors. As of December 31, 2012, j2 had achieved 17 consecutive fiscal years of revenue growth. For more information about j2, please visit www.j2global.com.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain statements in this Press Release are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995, particularly those contained in the "Business Outlook" portion regarding the Company's expected fiscal 2013 financial performance. These forward-looking statements are based on management's current expectations or beliefs and are subject to numerous assumptions, risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors and uncertainties include, among other items: ability to successfully diversify and grow our business, including both the Business Cloud Services and Digital Media Divisions; ability to identify, close and successfully integrate acquisitions; risks of geographic expansion; risks that markets we choose to enter fail to achieve desired levels of growth and profitability prospects; subscriber growth and retention; variability of revenue based on changing conditions in particular industries and the economy generally; protection of the Company's proprietary technology or infringement by the Company of intellectual property of others; the risk of adverse changes in the U.S. or international regulatory environments surrounding messaging and communications, including but not limited to the imposition or increase of taxes or regulatory-related fees; and the numerous other factors set forth in j2's filings with the Securities and Exchange Commission ("SEC"). For a more detailed description of the risk factors and uncertainties affecting j2, refer to the 2012 Annual Report on Form 10-K filed by j2 on March 1, 2013, and the other reports filed by j2 from time-to-time with the SEC, each of which is available at www.sec.gov. The forward-looking statements provided in this press release and particularly those contained in the "Business Outlook" portion regarding the Company's expected fiscal 2013 financial performance are based on limited information available to the Company at this time, which is subject to change. Although management's expectations may change after the date of this press release, the Company undertakes no obligation to revise or update these statements.

j2 Global, Inc.
Laura Hinson, 800-577-1790
investor@j2.com

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