j2 Reports Third Quarter 2016 Results

Achieves Record Third Quarter Revenues (up 17.6% to \$210.1 million vs. Q3 2015), GAAP Diluted EPS (up 22.1% to \$0.94 vs. Q3 2015)

Announces Twenty-First Consecutive Quarterly Dividend Increase

LOS ANGELES -- j2 Global, Inc. (NASDAQGS: JCOM) today reported financial results for the third quarter ended September 30, 2016 and announced that its Board of Directors has declared an increased quarterly cash dividend of \$0.3550 per share.

THIRD QUARTER 2016 RESULTS

Q3 2016 quarterly revenues increased 17.6% to a Q3 record of \$210.1 million compared to \$178.7 million for Q3 2015.

Net cash provided by operating activities increased by 18.6% to \$60.5 million compared to \$51.0 million for Q3 2015. Q3 2016 free cash flow⁽¹⁾ increased by 7.3% to \$53.2 million compared to \$49.6 million for Q3 2015 which included an adjustment to free cash flow of \$1.2 million associated with taxes for prior periods under audit. Exclusive of the impact of the adjustment in Q3 2015, free cash flow increased by 9.9% compared to \$48.4 million for Q3 2015.

GAAP earnings per diluted share⁽²⁾ increased 22.1% to \$0.94 in Q3 2016 compared to \$0.77 for Q3 2015. Adjusted non-GAAP earnings per diluted share⁽²⁾⁽³⁾ for the quarter increased 20.2% to \$1.25 compared to \$1.04 for Q3 2015.

GAAP net income increased by 21.9% to \$45.6 million compared to \$37.4 million for Q3 2015.

Quarterly Adjusted EBITDA⁽⁴⁾ increased 13.2% to \$95.4 million compared to \$84.3 million for Q3 2015.

j2 ended the quarter with approximately \$378.9 million in cash and investments after deploying approximately \$85.0 million during the quarter with respect to the repurchase of approximately 935,000 shares of j2 common stock, four acquisitions and j2's regular quarterly dividend.

Key financial results for Q3 2016 versus Q3 2015 are set forth in the following table (in millions, except per share amounts). Reconciliations of Adjusted non-GAAP earnings per diluted share, Adjusted EBITDA and free cash flow to their nearest comparable GAAP financial measures are attached to this Press Release.

	Q3 2016	Q3 2015	% Change
Revenues			
Cloud Services	\$142.2 million	\$125.3 million	13.5%
Digital Media	\$66.8 million	\$52.3 million	27.7%
IP Licensing	\$1.1 million	\$1.1 million	%
Total Revenue:	\$210.1 million	\$178.7 million	17.6%
Operating Income	\$62.1 million	\$55.7 million	11.5%
Net Cash Provided by Operating Activities	\$60.5 million	\$51.0 million	18.6%
Free Cash Flow (1)	\$53.2 million	\$49.6 million	7.3%
GAAP Earnings per Diluted Share (2)	\$0.94	\$0.77	22.1%
Adjusted Non-GAAP Earnings per Diluted Share (2) (3)	\$1.25	\$1.04	20.2%
GAAP Net Income	\$45.6 million	\$37.4 million	21.9%
Non-GAAP Net Income	\$60.7 million	\$50.7 million	19.7%
Adjusted EBITDA (4)	\$95.4 million	\$84.3 million	13.2%
Adjusted EBITDA Margin (4)	45.4%	47.2%	(1.8)%

"Our third quarter results highlight the positive combination of healthy revenue growth and efficient expense management" said Hemi Zucker, CEO of j2 Global. "Our efforts yielded an impressive 20% year-over-year Adjusted non-GAAP Diluted EPS increase and 18% year-over-year revenue growth. With the excellent results for the first nine months of the year, I am pleased to announce that our results are trending toward the higher end of our Adjusted non-GAAP earnings per diluted share guidance for the year.

BUSINESS OUTLOOK

For fiscal 2016, the Company estimates that it will achieve revenues between \$830 and \$860 million and Adjusted non-GAAP earnings per diluted share of between \$4.70 and \$5.00.

Adjusted non-GAAP earnings per diluted share for 2016 excludes share-based compensation of between \$12 and \$14 million, amortization of acquired intangibles and the impact of any currently unanticipated items, in each case net of tax.

It is anticipated that the non-GAAP effective tax rate for 2016 (exclusive of the release of reserves for uncertain tax positions) will be at the lower end of the range between 29% and 31%.

The Company has not reconciled the Adjusted non-GAAP earnings per diluted share and tax rate guidance included in this release to the most directly comparable GAAP measure because this cannot be done without unreasonable effort due to the variability with respect to costs related to acquisitions and taxation, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable and significant impact on our future GAAP financial results.

DIVIDEND

j2's Board of Directors has approved a quarterly cash dividend of \$0.3550 per common share, a \$0.01, or 2.9% increase versus last quarter's dividend. This is j2's twenty-first consecutive quarterly dividend increase since its first quarterly dividend in September 2011. The dividend will be paid on December 5, 2016 to all shareholders of record as of the close of business on November 18, 2016. Future dividends will be subject to Board approval.

Notes:

- (1) 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.
- (2) The estimated GAAP effective tax rates were approximately 25.8% for Q3 2016 and 15.8% for Q3 2015. The estimated Adjusted non-GAAP effective tax rates were approximately 27.7% for Q3 2016 and 28.7% for Q3 2015.
- (3) For Q3 2016, Adjusted non-GAAP earnings per diluted share excludes share-based compensation, certain acquisition-related integration costs, interest costs in excess of the coupon rate associated with convertible notes, amortization of acquired intangibles, additional tax expense (benefit) from prior years and sale of investments, in each case net of tax, totaling \$0.32 per diluted share. For Q3 2015, Adjusted non-GAAP earnings per diluted share excludes share-based compensation, certain acquisition-related integration costs, interest costs in excess of the coupon rate associated with convertible notes, amortization of acquired intangibles and additional tax expense (benefit) from prior years, in each case net of tax, totaling \$0.28 per diluted share.
- (4) Adjusted EBITDA is defined as earnings before interest and other expense, net; income tax expense; depreciation and amortization; and the items used to reconcile EPS to Adjusted non-GAAP EPS referred to in Note (3) above. Adjusted EBITDA amounts are not meant as a substitute for GAAP, but are solely for informational purposes.

About j2 Global

j2 Global, Inc. (NASDAQ: JCOM) provides Internet services through 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 ®, Livedrive®, Onebox ®, and LiveVault®, and operates a messaging network spanning 50 countries on six continents. The Digital Media Division offers technology, gaming and lifestyle content through its digital properties, which include IGN, PCMag, AskMen, Speedtest, Offers, ExtremeTech, Geek, Toolbox, Techbargains, emedia, and Salesify and others. As of December 31, 2015, j2 had achieved 20 consecutive fiscal years of revenue growth. For more information about j2, please visit www.j2global.com.

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"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 Hemi Zucker's quote and the "Business Outlook" portion regarding the Company's expected fiscal 2016 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: the Company's ability to grow non-fax revenues, profitability and cash flows; the Company's ability to identify, close and successfully transition acquisitions; subscriber growth and retention; variability of the Company's 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, including but not limited to the imposition or increase of taxes or regulatory-related fees; and the numerous other factors set forth in j2 Global's filings with the Securities and Exchange Commission ("SEC"). For a more detailed description of the risk factors and uncertainties affecting j2 Global, refer to the 2015 Annual Report on Form 10-K filed by j2 Global on February 29, 2016, and the other reports filed by j2 Global from timeto-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 Hemi Zucker's quote and the "Business Outlook" portion regarding the Company's expected fiscal 2016 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.

About non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following Adjusted non-GAAP financial measures: Adjusted non-GAAP earnings per diluted share, Adjusted EBITDA and free cash flow. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these Adjusted non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these Adjusted non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our recurring core business operating results. We believe that both management and investors benefit from referring to these Adjusted non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These Adjusted non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity. We believe these Adjusted non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

For more information on these Adjusted non-GAAP financial measures, please see the appropriate GAAP to Adjusted non-GAAP reconciliation tables included within the attached Exhibit to this release.

j2 GLOBAL, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED, IN THOUSANDS)

	Sej	otember 30, 2016	December 31, 2015			
ASSETS						
Cash and cash equivalents	\$	285,563	\$	255,530		
Short-term investments		39,908		79,655		
Accounts receivable, net of allowances of \$6,643 and \$4,261, respectively		114,581		114,680		
Prepaid expenses and other current assets		26,567		25,722		
Deferred income taxes, current				7,218		
Total current assets		466,619		482,805		
Long-term investments		53,421		78,563		
Property and equipment, net		61,437		57,442		
Goodwill		853,791		807,661		
Other purchased intangibles, net		325,654		352,641		
Deferred income taxes, non-current		4,454		_		
Other assets		3,769		4,607		
TOTAL ASSETS	\$	1,769,145	\$	1,783,719		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable and accrued expenses	\$	101,830	\$	114,384		
Income taxes payable		2,207		5,589		
Deferred revenue, current		76,259		76,104		
Capital lease, current		191		214		
Deferred income taxes, current				363		
Total current liabilities		180,487		196,654		
Long-term debt		599,260		592,037		
Deferred revenue, non-current		2,354		6,538		
Capital lease, non-current		12		148		
Liability for uncertain tax positions		44,418		35,917		
Deferred income taxes, non-current		39,975		43,989		
Other long-term liabilities		4,445		18,228		
TOTAL LIABILITIES		870,951		893,511		
Commitments and contingencies						
Preferred stock				_		
Common stock		472		479		
Additional paid-in capital		304,385		292,064		
Retained earnings		634,386		626,789		
Accumulated other comprehensive loss		(41,049)	_	(29,124)		
TOTAL STOCKHOLDERS' EQUITY		898,194		890,208		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	1,769,145	\$	1,783,719		

j2 GLOBAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED, IN THOUSANDS)

		Three Moi Septem				Nine Mon Septem			
		2016		2015		2016		2015	
Total revenues	\$	210,116	\$	178,701	\$	622,418	\$	515,992	
Cost of revenues (1)		36,992		30,669		106,870		88,350	
Gross profit		173,124		148,032	_	515,548	_	427,642	
Operating expenses:									
Sales and marketing (1)		46,425		38,808		143,155		116,819	
Research, development and engineering (1)		8,965		8,289		27,165		25,704	
General and administrative (1)		55,612		45,202		170,823		138,790	
Total operating expenses		111,002		92,299		341,143		281,313	
Income from operations		62,122		55,733		174,405		146,329	
Interest expense, net		10,436		10,259		30,971		31,453	
Other expense (income), net		(9,718)		1,086		(9,805)		390	
Income before income taxes		61,404		44,388		153,239		114,486	
Income tax expense		15,835		7,013		43,958		16,317	
Net income	\$	45,569	\$	37,375	\$	109,281	\$	98,169	
Basic net income per common share:									
Net income attributable to j2 Global, Inc. common shareholders	\$	0.95	\$	0.77	\$	2.25	\$	2.03	
Diluted net income per common share:									
Net income attributable to j2 Global, Inc. common shareholders	\$	0.94	\$	0.77	\$	2.24	\$	2.02	
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Basic weighted average shares outstanding		47,310,011		47,696,224		47,775,798		47,553,075	
Diluted weighted average shares outstanding		47,494,744		47,953,871		47,997,674		47,777,622	
(1) Includes share-based compensation expense as follows:									
Cost of revenues	\$	116	\$	99	\$	314	\$	273	
Sales and marketing		423		624		1,388		1,811	
Research, development and engineering		235		227		663		635	
General and administrative		2,925		1,820		7,582		6,224	
Total	\$	3,699	\$	2,770	\$	9,947	\$	8,943	

j2 GLOBAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED, IN THOUSANDS)	Niı	ne Months End	led So	eptember 30,
		2016		2015
Cash flows from operating activities:				
Net income	\$	109,281	\$	98,169
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization		88,569		63,635
Accretion and amortization of discount and premium of investments		896		871
Amortization of financing costs and discounts		7,224		6,774
Share-based compensation		9,947		8,943
Excess tax benefits from share-based compensation		(2,071)		(4,541)
Provision for doubtful accounts		9,072		5,015
Deferred income taxes, net		(2,328)		219
Gain on sale of available-for-sale investments		(7,709)		(37)
Decrease (increase) in:				
Accounts receivable		(7,631)		(4,296)
Prepaid expenses and other current assets		(663)		2,815
Other assets		937		(77)
Increase (decrease) in:				. ,
Accounts payable and accrued expenses		(4,601)		(5,783)
Income taxes payable		(927)		(13,565)
Deferred revenue		(4,134)		(3,727)
Liability for uncertain tax positions		8,502		(9,916)
Other long-term liabilities		(11,824)		4,074
Net cash provided by operating activities		192,540		148,573
Cash flows from investing activities:				
Maturity of certificates of deposit		_		65
Purchase of certificates of deposit		_		(62)
Maturity of available-for-sale investments		145,005		87,976
Purchase of available-for-sale investments		(75,834)		(78,281)
Purchases of property and equipment		(17,447)		(11,927)
Purchases of intangible assets		(2,014)		(1,258)
Acquisition of businesses, net of cash received		(91,401)		(259,838)
Net cash used in investing activities		(41,691)		(263,325)
Cash flows from financing activities:				
Repurchases of common and restricted stock		(56,083)		(3,159)
Issuance of stock, net of costs		3,463		4,814
Excess tax benefits from share-based compensation		2,071		4,541
Dividends paid		(48,768)		(43,526)
Deferred payments for acquisitions		(18,939)		(5,411)
Other		(391)		(250)
Net cash used in financing activities		(118,647)		(42,991)
Effect of exchange rate changes on cash and cash equivalents		(2,169)		(3,552)
Net change in cash and cash equivalents		30,033		(161,295)
Cash and cash equivalents at beginning of period		255,530		433,663
Cash and cash equivalents at end of period	\$	285,563	\$	272,368
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j2 GLOBAL, INC. RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP FINANCIAL MEASURES THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Non-GAAP net income is GAAP net income with the following modifications, net of tax: (1) elimination of share-based compensation and the associated payroll tax expense; (2) elimination of certain acquisition-related integration costs; (3) elimination of interest costs in excess of the coupon rate associated with the convertible notes; (4) elimination of amortization of patents and intangible assets that we acquired; (5) elimination of additional tax or indirect tax related (expense) benefit from prior years; (6) sale of investments; and (7) IRS consulting fee.

Three Months Ended September 30, Per Diluted Per Diluted 2016 Share 2015 Share Net income 45,569 \$ 0.94 \$ 37,375 \$ 0.77 Plus: Share based compensation (1) 2,660 0.06 2,112 0.04 Acquisition related integration costs (2) 3,398 (588)(0.01)0.07 Interest costs (3) 1,623 0.03 1,556 0.03 Amortization (4) 16,065 0.34 11,413 0.24 Tax benefit from prior years (5) (5,140)(0.11)Sale of investments (6) (4,674)(0.10)Adjusted non-GAAP net income \$ 60,655 \$ 1.25 50,714 1.04

Nine Months Ended September 30,

		2016	Per Diluted Share *	2015	Per Diluted Share *		
Net income	\$	109,281 \$	2.24	\$ 98,169	5 2.02		
Plus:							
Share based compensation (1)		7,232	0.15	6,572	0.14		
Acquisition related integration costs (2)		3,777	0.08	6,989	0.15		
Interest costs (3)		4,318	0.09	4,112	0.09		
Amortization (4)		51,705	1.08	37,025	0.77		
Tax expense (benefit) from prior years (5)		53	_	(12,786)	(0.27)		
Sale of investments (6)		(4,675)	(0.10)	_	_		
IRS consulting fee (7)		_	_	(159)	_		
Adjusted non-GAAP net income	\$	171,691 \$	3.50	\$ 139,922	2.88		

^{*}The reconciliation of net income per share from GAAP to Adjusted non-GAAP may not foot since each is calculated independently.

j2 GLOBAL, INC. RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP FINANCIAL MEASURES THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Non-GAAP net income is GAAP net income with the following modifications: (1) elimination of share-based compensation and the associated payroll tax expense; (2) elimination of certain acquisition-related integration costs; (3) elimination of interest costs in excess of the coupon rate associated with the convertible notes; (4) elimination of amortization of patents and intangible assets that we acquired; (5) elimination of additional tax or indirect tax related (expense) benefit from prior years; and (6) sale of investments.

	Three Months Ended September 3						
		2016		2015			
Cost of revenues	\$	36,992	\$	30,669			
Plus:							
Share based compensation (1)		(116)		(99)			
Amortization (4)		(1,334)		(733)			
Adjusted non-GAAP cost of revenues	\$	35,542	\$	29,837			
Sales and marketing	\$	46,425	\$	38,808			
Plus:							
Share based compensation (1)		(423)		(624)			
Acquisition related integration costs (2)		(409)		<u> </u>			
Adjusted non-GAAP sales and marketing	\$	45,593	\$	38,184			
Research, Development and Engineering	\$	8,965	\$	8,289			
Plus:							
Share based compensation (1)		(235)		(227)			
Acquisition related integration costs (2)		(51)		<u> </u>			
Adjusted non-GAAP research, development and engineering	\$	8,679	\$	8,062			
General and administrative	\$	55,612	\$	45,202			
Plus:							
Share based compensation (1)		(2,925)		(1,820)			
Acquisition related integration costs (2)		1,196		(5,356)			
Amortization (4)		(23,730)		(16,037)			
Adjusted non-GAAP general and administrative	\$	30,153	\$	21,989			
Interest expense, net	\$	10,436	\$	10,259			
Plus:							
Interest costs (3)		(1,940)		(1,831)			
Adjusted non-GAAP interest expense, net	\$	8,496	\$	8,428			
Other expense (income), net	\$	(9,718)	\$	1,086			
Plus:							
Sale of investments (6)		7,540					
Adjusted non-GAAP other expense (income), net	\$	(2,178)	\$	1,086			

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Income Tax Provision	\$ 15,835	\$ 7,013
Plus:		
Share based compensation (1)	1,039	658
Acquisition related integration costs (2)	(148)	1,958
Interest costs (3)	317	275
Amortization (4)	8,999	5,357
Tax benefit from prior years (5)	_	5,140
Sale of investments (6)	 (2,866)	 <u> </u>
Adjusted non-GAAP income tax provision	\$ 23,176	\$ 20,401
Total adjustments	\$ (15,086)	\$ (13,339)
GAAP earnings per diluted share	\$ 0.94	\$ 0.77
Adjustments *	\$ 0.32	\$ 0.28
Adjusted non-GAAP earnings per diluted share	\$ 1.25	\$ 1.04

^{*}The reconciliation of net income per share from GAAP to Adjusted non-GAAP may not foot since each is calculated independently.

The Company discloses Adjusted non-GAAP Earnings Per Share ("EPS") as a supplemental non-GAAP financial performance measure, as it believes it is a useful metric by which to compare the performance of its business from period to period. The Company also understands that this Adjusted non-GAAP measure is broadly used by analysts, rating agencies and investors in assessing the Company's performance. Accordingly, the Company believes that the presentation of this Adjusted non-GAAP financial measure provides useful information to investors.

Adjusted non-GAAP EPS is not in accordance with, or an alternative to, net income per share and may be different from non-GAAP measures with similar or even identical names used by other companies. In addition, this Adjusted non-GAAP measure is not based on any comprehensive set of accounting rules or principles. This Adjusted non-GAAP measure has limitations in that it does not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

j2 GLOBAL, INC.

RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP FINANCIAL MEASURES NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Non-GAAP net income is GAAP net income with the following modifications, net of tax: (1) elimination of share-based compensation and the associated payroll tax expense; (2) elimination of certain acquisition-related integration costs; (3) elimination of interest costs in excess of the coupon rate associated with the convertible notes; (4) elimination of amortization of patents and intangible assets that we acquired; (5) elimination of additional tax or indirect tax related (expense) benefit from prior years; (6) IRS consulting fee; and (7) sale of investments.

	Nine Months Ended September 30,								
		2016		2015					
Cost of revenues	\$	106,870	\$	88,350					
Plus:									
Share based compensation (1)		(314)		(273)					
Amortization (4)		(3,890)		(2,062)					
Adjusted non-GAAP cost of revenues	\$	102,666	\$	86,015					
Sales and marketing	\$	143,155	\$	116,819					
Plus:									
Share based compensation (1)		(1,388)		(1,811)					
Acquisition related integration costs (2)		(1,534)		(715)					
Adjusted non-GAAP sales and marketing	\$	140,233	\$	114,293					
Research, development and engineering	\$	27,165	\$	25,704					
Plus:									
Share based compensation (1)		(663)		(635)					
Acquisition related integration costs (2)		(50)		(79)					
Adjusted non-GAAP research, development and engineering	\$	26,452	\$	24,990					
General and administrative	\$	170,823	\$	138,790					
Plus:									
Share based compensation (1)		(7,582)		(6,224)					
Acquisition related integration costs (2)		(4,226)		(9,990)					
Amortization (4)		(69,654)		(50,580)					
Tax benefit from prior years (5)		(900)		(3,651)					
IRS consulting fee (6)				204					
Adjusted non-GAAP general and administrative	\$	88,461	\$	68,549					
Interest expense, net	\$	30,971	\$	31,453					
Plus:									
Interest costs (3)		(5,739)		(5,415)					
Tax benefit from prior years (5)				(472)					
Adjusted non-GAAP interest expense, net	\$	25,232	\$	25,566					
Other expense (income), net	\$	(9,805)	\$	390					
Plus:									
Tax benefit from prior years (5)		811		_					
Sale of investments (7)		7,540		<u> </u>					
Adjusted non-GAAP other expense (income), net	\$	(1,454)	\$	390					

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Income tax provision	\$ 43,958	\$ 16,317
Plus:		
Share based compensation (1)	2,715	2,371
Acquisition related integration costs (2)	2,033	3,795
Interest costs (3)	1,421	1,303
Amortization (4)	21,839	15,617
Tax benefit from prior years (5)	36	16,909
IRS consulting fee (6)	_	(45)
Sale of investments (7)	(2,865)	_
Adjusted non-GAAP income tax provision	\$ 69,137	\$ 56,267
Total adjustments	\$ (62,410)	\$ (41,753)
GAAP earnings per diluted share	\$ 2.24	\$ 2.02
Adjustments *	\$ 1.26	\$ 0.86
Adjusted non-GAAP earnings per diluted share	\$ 3.50	\$ 2.88

^{*}The reconciliation of net income per share from GAAP to Adjusted non-GAAP may not foot since each is calculated independently.

The Company discloses Adjusted non-GAAP Earnings Per Share ("EPS") as a supplemental non-GAAP financial performance measure, as it believes it is a useful metric by which to compare the performance of its business from period to period. The Company also understands that this Adjusted non-GAAP measure is broadly used by analysts, rating agencies and investors in assessing the Company's performance. Accordingly, the Company believes that the presentation of this Adjusted non-GAAP financial measure provides useful information to investors.

Adjusted non-GAAP EPS is not in accordance with, or an alternative to, net income per share and may be different from non-GAAP measures with similar or even identical names used by other companies. In addition, this Adjusted non-GAAP measure is not based on any comprehensive set of accounting rules or principles. This Adjusted non-GAAP measure has limitations in that it does not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

Non-GAAP Financial Measures

To supplement its condensed consolidated financial statements, which are prepared and presented in accordance with US GAAP, the Company uses the following Non-GAAP financial measures: Adjusted EBITDA, Adjusted non-GAAP net income, and Adjusted non-GAAP diluted EPS (collectively the "Non-GAAP financial measures"). The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. The company uses these Non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. The company believes that they provide useful information about core operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

- (1) Share Based Compensation. The company excludes stock-based compensation because it is non-cash in nature and because the company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. The company further believes this measure is useful to investors in that it allows for greater transparency to certain line items in its financial statements. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which similarly exclude this item.
- (2) Acquisition Related Integration Costs. The company excludes certain acquisition and related integration costs such as severance, lease terminations, retention bonuses and other acquisition-specific items. The company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which similarly exclude this item.
- (3) Interest Costs. In June 2014, the company issued \$402.5 million aggregate principal amount of 3.25% convertible senior notes. In accordance with GAAP, the company separately accounts for the value of the liability and equity features of its outstanding convertible senior notes in a manner that reflects the company's non-convertible debt borrowing rate. The value of the conversion feature, reflected as a debt discount, is amortized to interest expense over time. Accordingly, the company recognizes imputed interest expense on its convertible senior notes of approximately 5.8% in its income statement. The company excludes the difference between the imputed interest expense and the coupon interest expense of 3.25% because it is non-cash in nature and because the company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding core operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which similarly exclude this item.
- (4) Amortization. The company excludes amortization of patents and acquired intangible assets because it is non-cash in nature and because the company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which similarly exclude this item.
- (5) Tax Benefits from Prior Years. The company excludes certain income tax-related items in respect of income tax audit settlements and their related FIN 48 accrual reversals. The company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results.
- (6) Gain on Sale of Investment. The company excludes the gain on sale of its strategic equity investment in Carbonite, Inc. The company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results.
- (7) IRS Consulting Fee. The company excludes IRS consulting fees related to IRS audit appeals and settlements. The company believes that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In addition, excluding this item from the Non-GAAP measures facilitates comparisons to historical operating results.

The company presents Adjusted non-GAAP Cost of Revenues, Adjusted non-GAAP Research, Development and Engineering, Adjusted non-GAAP Sales and Marketing, Adjusted non-GAAP General and Administrative, Adjusted non-GAAP Interest Expense, Adjusted non-GAAP Other Expense (Income), Adjusted non-GAAP Income Tax Provision and Adjusted non-GAAP Net Income because the company believes that these provide useful information about our operating results and enhance the overall understanding of past financial performance and future prospects.

j2 GLOBAL, INC. NET INCOME TO ADJUSTED EBITDA RECONCILIATION THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED, IN THOUSANDS)

The following table sets forth a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

	Three	Months End	ed September 30,	Nine Months E	ptember 30,	
		2016	2015	2016		2015
Net income	\$	45,569	\$ 37,375	\$ 109,28	1 \$	98,169
Plus:						
Interest expense, net		10,436	10,259	30,97	l	31,453
Other expense (income), net		(9,718)	1,086	(9,80	5)	390
Income tax expense		15,835	7,013	43,958	3	16,317
Depreciation and amortization		30,336	20,454	88,569)	63,635
Reconciliation of GAAP to Adjusted non-GAAP financial measures:						
Share-based compensation and the associated payroll tax expense		3,699	2,770	9,94	7	8,943
Acquisition-related integration costs		(736)	5,356	5,810)	10,784
Additional indirect tax expense from prior years		_		900)	3,651
IRS consulting fee		_	_	_	_	(204)
Adjusted EBITDA	\$	95,421	\$ 84,313	\$ 279,63	1 \$	233,138

Adjusted EBITDA as calculated above represents earnings before interest and other expense, net, income tax expense, depreciation and amortization and the items used to reconcile GAAP to Adjusted non-GAAP financial measures, including (1) share-based compensation, (2) certain acquisition-related integration costs, (3) additional indirect tax expense from prior years, and (4) IRS consulting fee. We disclose Adjusted EBITDA as a supplemental non-GAAP financial performance measure as we believe it is a useful metric by which to compare the performance of our business from period to period. We understand that measures similar to Adjusted EBITDA are broadly used by analysts, rating agencies and investors in assessing our performance. Accordingly, we believe that the presentation of Adjusted EBITDA provides useful information to investors.

Adjusted EBITDA is not in accordance with, or an alternative to, net income, and may be different from non-GAAP measures used by other companies. In addition, Adjusted EBITDA is not based on any comprehensive set of accounting rules or principles. This Adjusted non-GAAP measure has limitations in that it does not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

j2 GLOBAL, INC. NON-GAAP FINANCIAL MEASURES (UNAUDITED, IN THOUSANDS)

	Q1			Q2	Q3		Q4			YTD
<u>2016</u>										
Net cash provided by operating activities	\$	64,524	\$	67,528	\$	60,488	\$		\$	192,540
Less: Purchases of property and equipment		(4,321)		(4,865)		(8,261)				(17,447)
Add: Excess tax benefit share-based compensation		264		833		974				2,071
Free cash flows	\$	60,467	\$	63,496	\$	53,201	\$	_	\$	177,164
		Q1		Q2		Q3		Q4		YTD
<u>2015</u>										
Net cash provided by operating activities	\$	45,716	\$	51,894	\$	50,963	\$	80,488	\$	229,061
Less: Purchases of property and equipment		(2,401)		(4,554)		(4,972)		(5,370)		(17,297)
Add: Excess tax benefit share-based compensation		334		1,770		2,437		(55)		4,486
Add: IRS settlement*				5,753		1,164				6,917
Free cash flows	\$	43,649	Φ	54,863	Ф	49,592	Φ	75,063	Φ.	223,167

^{*} Free cash flows of \$54.9 million and \$49.6 million for Q2 2015 and Q3 2015, respectively, were before the effect of payments associated with taxes for prior periods under audit.

The Company discloses Free Cash Flows as supplemental Non-GAAP financial performance measure, as it believes it is a useful metrics by which to compare the performance of its business from period to period. The Company also understands that this Non-GAAP measure is broadly used by analysts, rating agencies and investors in assessing the Company's performance. Accordingly, the Company believes that the presentation of this Non-GAAP financial measure provides useful information to investors.

Free Cash Flows is not in accordance with, or an alternative to, Cash Flows from Operating Activities, and may be different from Non-GAAP measures with similar or even identical names used by other companies. In addition, the Non-GAAP measure is not based on any comprehensive set of accounting rules or principles. This Non-GAAP measure has limitations in that it does not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

j2 GLOBAL, INC. RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP FINANCIAL MEASURES THREE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED, IN THOUSANDS)

	Cloud Connect	Cloud Services	IP Licensing	Digital Media	<u>j2</u>	Global, Inc.	Total
Revenues							
GAAP revenues	\$ 92,599	\$ 49,624	\$ 1,119	\$ 66,774	\$	_	\$ 210,116
Gross profit							
GAAP gross profit	\$ 76,652	\$ 34,197	\$ 1,116	\$ 61,159	\$	_	\$ 173,124
Non-GAAP adjustments:							
Share-based compensation	97	19	_			_	116
Amortization	 127	 1,207					1,334
Adjusted non-GAAP gross profit	\$ 76,876	\$ 35,423	\$ 1,116	\$ 61,159	\$	_	\$ 174,574
Operating profit							
GAAP operating profit	\$ 43,543	\$ 10,354	\$ (996)	\$ 13,887	\$	(4,666)	\$ 62,122
Non-GAAP adjustments:							
Share-based compensation	962	495	_	713		1,529	3,699
Acquisition related integration costs	65	_	_	(801)		_	(736)
Amortization	 4,552	 11,821	1,442	 7,249			25,064
Adjusted non-GAAP operating profit	\$ 49,122	\$ 22,670	\$ 446	\$ 21,048	\$	(3,137)	\$ 90,149
Depreciation	1,399	1,004	<u> </u>	2,869		<u> </u>	5,272
Adjusted EBITDA	\$ 50,521	\$ 23,674	\$ 446	\$ 23,917	\$	(3,137)	\$ 95,421

NOTE: Table above excludes certain intercompany allocations

j2 GLOBAL, INC. RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP FINANCIAL MEASURES THREE MONTHS ENDED SEPTEMBER 30, 2015 (UNAUDITED, IN THOUSANDS)

	Cloud Connect		Cloud Services		IP Licensing		Digital Media		j2 Global, Inc.		Total	
Revenues												
GAAP revenues	\$	89,511	\$	35,819	\$	1,106	\$	52,265	\$	_	\$	178,701
Gross profit												
GAAP gross profit	\$	75,226	\$	25,356	\$	1,106	\$	46,343	\$	1	\$	148,032
Non-GAAP adjustments:												
Share-based compensation		99						_		_		99
Amortization		122		611								733
Adjusted non-GAAP gross profit	\$	75,447	\$	25,967	\$	1,106	\$	46,343	\$	1	\$	148,864
Operating profit												
GAAP operating profit	\$	46,222	\$	7,922	\$	(986)	\$	7,296	\$	(4,721)	\$	55,733
Non-GAAP adjustments:												
Share-based compensation		1,185		_				479		1,106		2,770
Acquisition related integration costs		95		_				5,261		_		5,356
Amortization		4,106		5,403		1,622		5,639		_		16,770
Adjusted Non-GAAP operating profit	\$	51,608	\$	13,325	\$	636	\$	18,675	\$	(3,615)	\$	80,629
Depreciation		1,415		628				1,641		_		3,684
Adjusted EBITDA	\$	53,023	\$	13,953	\$	636	\$	20,316	\$	(3,615)	\$	84,313

NOTE: Table above excludes certain intercompany allocations