

Supplemental Information



Financial Metrics: Consolidated

	j2 Global Consolidated						
	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue by Segment	---(Thousands) ---						
Cloud Revenues	\$118,061	\$125,188	\$126,436	\$134,953	\$138,139	\$142,460	\$143,342
Digital Media Revenues	\$43,192	\$50,850	\$52,265	\$69,870	\$62,363	\$69,340	\$66,774
Total Revenues	\$161,253	\$176,038	\$178,701	\$204,823	\$200,502	\$211,800	\$210,116
Diluted EPS	---(millions) ---						
GAAP	\$0.45	\$0.80	\$0.77	\$0.72	\$0.61	\$0.69	\$0.94
Adjusted Non-GAAP ⁽¹⁾	\$0.85	\$0.99	\$1.04	\$1.29	\$1.05	\$1.21	\$1.25
Cash & Investment	---(millions) ---						
Free Cash Flow ⁽²⁾	\$539.5	\$567.3	\$410.7	\$413.7	\$394.5	\$407.2	\$378.9
Adjusted EBITDA ⁽³⁾	\$43.6	\$54.9	\$49.6	\$75.1	\$60.5	\$63.5	\$53.2
	\$69.3	\$79.6	\$84.3	\$100.1	\$86.7	\$97.5	\$95.4

(1) See slide 23 & 24 for a definition of adjusted Non-GAAP net income and a reconciliation of Non-GAAP earnings and EPS to GAAP net income and diluted GAAP EPS

(2) See slide 22 for a definition of Free Cash Flow and reconciliation to net cash provided by operating activities

(3) See slide 22 for a definition of adjusted EBITDA and reconciliation to Net Income



Financial & Other Metrics Cloud & Media

	Total Cloud							
	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Revenue by Type								
Fixed Subscriber Revenues	\$96,097	\$102,437	\$103,957	\$112,428	\$115,496	\$117,199	\$117,816	
Variable Subscriber Revenues	\$19,687	\$21,368	\$21,364	\$21,384	\$21,453	\$24,156	\$24,396	
Subscriber Revenues	\$115,784	\$123,805	\$125,321	\$133,812	\$136,949	\$141,355	\$142,212	
Other Licenses Revenues ⁽¹⁾	\$2,277	\$1,383	\$1,115	\$1,141	\$1,191	\$1,105	\$1,130	
Total Cloud Revenues	\$118,061	\$125,188	\$126,436	\$134,953	\$138,139	\$142,460	\$143,342	
Revenue - DID vs. Non-DID								
DID Based Revenues	\$85,777	\$88,945	\$89,257	\$88,676	\$89,967	\$92,592	\$92,396	
Non-DID Based Revenues	\$32,284	\$36,243	\$37,179	\$46,277	\$48,173	\$49,868	\$50,946	
Total Cloud Revenues	\$118,061	\$125,188	\$126,436	\$134,953	\$138,139	\$142,460	\$143,342	
Cloud Services Customers ⁽²⁾								
Average Monthly Revenue/Customers ⁽³⁾	\$13.91	\$14.15	\$14.06	\$14.79	\$14.95	\$15.26	\$15.28	
Cancel Rate ⁽⁴⁾	2.2%	1.9%	2.0%	2.1%	2.2%	2.2%	2.3%	
Media								
	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Digital Media Traffic ⁽⁵⁾								
Visits	955,687	931,769	1,022,275	1,091,510	1,096,332	1,159,925	1,448,339	
Views	2,391,570	2,226,210	2,569,875	3,087,971	3,637,100	4,215,216	5,405,305	

- (in Thousands) -

(1) Cloud Services revenue includes IP Licensing revenue
(2) Cloud Services Customers are defined as paying DIDs for Fax & Voice services and direct and resellers' accounts for other services
(3) Quarterly ARPU is calculated using our standard convention of applying the average of the quarter's beginning and ending customer base to the total revenue of the quarter
(4) User cancel rate, also called user churn, is defined as cancellation of service by Cloud Business customers with greater than 4 months of continuous service (continuous service includes Cloud Business customers that are administratively cancelled and reactivated within the same calendar month). User cancel rate is calculated monthly and expressed here as an average over the three months of the quarter.
(5) Digital Media Traffic figures based on Google Analytics & Partner Platforms



GAAP Reconciliation Free Cash Flow & Adjusted EBITDA

(\$ in millions)

Free Cash Flow ⁽¹⁾							
	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Net cash provided by operating activities	\$45.716	\$51.894	\$50.963	\$80.488	\$64.524	\$67.528	\$60.488
Less: Purchases of property and equipment	(\$2.401)	(\$4.554)	(\$4.972)	(\$5.370)	(\$4.321)	(\$4.865)	(\$8.261)
Add: Excess tax benefit (deficit) from share-based compensation	\$0.334	\$1.770	\$2.437	(\$0.055)	\$0.264	\$0.833	\$0.974
Add: IRS Settlement	\$0.000	\$5.753	\$1.164	\$0.000	\$0.000	\$0.000	\$0.000
Free cash flow	\$43.649	\$54.863	\$49.592	\$75.063	\$60.467	\$63.496	\$53.201

Adjusted EBITDA ⁽²⁾							
	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Net income	\$21.877	\$38.916	\$37.375	\$35.467	\$29.943	\$33.770	\$45.569
Plus:							
Other expense (income), net	(\$0.784)	\$0.088	\$1.086	(\$0.384)	\$0.126	(\$0.213)	(\$9.718)
Interest expense (income), net	\$10.313	\$10.881	\$10.259	\$11.005	\$10.233	\$10.301	\$10.436
Income tax expense	\$9.124	\$0.181	\$7.013	\$6.966	\$13.036	\$15.087	\$15.835
Depreciation and amortization	\$21.288	\$21.893	\$20.454	\$29.578	\$27.174	\$31.058	\$30.336
Share-based compensation and associated payroll tax expense	\$3.004	\$3.168	\$2.770	\$2.851	\$2.809	\$3.439	\$3.699
Acquisition-related integration costs	\$3.534	\$1.895	\$5.356	\$14.663	\$2.595	\$3.952	(\$0.736)
Additional indirect tax expense from prior years	\$1.118	\$2.533	\$0.000	\$0.000	\$0.750	\$0.150	\$0.000
Fees associated with prior year tax audits	(\$0.204)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Adjusted EBITDA	\$69.270	\$79.555	\$84.313	\$100.146	\$86.666	\$97.544	\$95.421

- (1) Free Cash Flow is defined as net cash provided by operating activities, less purchases of property, plant and equipment, plus excess tax benefits (deficiency) from share based compensation. In addition, the amount shown for Q2 and Q3 2015 excludes the effect of payments associated with taxes for prior periods under audit. Free Cash Flow amounts are not meant as a substitute for GAAP, but are solely for informational purposes
- (2) Adjusted EBITDA is defined as net income plus interest and other expense, net; income tax expense; depreciation and amortization and the items used to reconcile GAAP to Adjusted Non-GAAP EPS. Adjusted EBITDA amounts are not meant as a substitute for GAAP, but are solely for informational purposes



GAAP Reconciliation Q3 Adjusted Non-GAAP Earnings & EPS

(\$ in thousands)

	Three Months Ended September 30 th	
	2016	2015
Cost of revenues	\$ 36,992	\$ 30,669
Plus:		
Share based compensation ⁽¹⁾	(116)	(99)
Amortization ⁽³⁾	(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)	-
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)	-
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 ⁽³⁾	(23,730)	(16,037)
Adjusted non-GAAP general and administrative	\$ 30,153	\$ 21,989

Adjusted Non-GAAP net income is not meant as a substitute for GAAP, and is defined as GAAP net income with the following modifications:

- 1) Elimination of shared-based compensation expense and associated payroll taxes
- 2) Elimination of certain acquisition-related integration costs and the impact of fair value adjustments to deferred revenue purchased in Livedrive acquisition
- 3) Elimination of amortization of acquired patents and intangible assets



GAAP Reconciliation Q3 Adjusted Non-GAAP Earnings & EPS (continued)

(\$ in thousands)

	Three Months Ended September 30 th	
	2016	2015
Interest expense, net	\$ 10,436	\$ 10,259
Plus:		
Interest costs ⁽⁴⁾	(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
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 ⁽⁴⁾	317	275
Amortization ⁽³⁾	8,999	5,357
Tax benefit from prior years ⁽⁵⁾	-	5,140
Sale of investments ⁽⁶⁾	(2,866)	-
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

Adjusted Non-GAAP net income is not meant as a substitute for GAAP, and is defined as GAAP net income with the following modifications:

- 1) Elimination of shared-based compensation expense and associated payroll taxes
- 2) Elimination of certain acquisition-related integration costs and the impact of fair value adjustments to deferred revenue purchased in Livedrive acquisition
- 3) Elimination of interest costs in excess of the coupon rate associated with the convertible notes
- 4) Elimination of IRS consulting fees
- 5) Elimination of amortization of acquired patents and intangible assets
- 6) Elimination of additional income tax (expense) benefit from prior years

* Reconciliation of Net Income per share from GAAP to Adjusted Non-GAAP Net Income Per Share may not foot because each is calculated independently



GAAP Reconciliation Q3 2016 Adjusted EBITDA

(\$ in thousands)

	<u>Cloud Connect</u>	<u>Cloud Services</u>	<u>IP Licensing</u>	<u>Digital Media</u>	<u>j2 Global, Inc.</u>	<u>Total</u>
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	—	2,869	—	5,272
Adjusted EBITDA	\$ 50,521	\$ 23,674	\$ 446	\$ 23,917	\$ (3,137)	\$ 95,421



GAAP Reconciliation Q3 2015 Adjusted EBITDA

(\$ 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

