



## Marchex Reports Third Quarter 2006 Financial Results

November 8, 2006

**SEATTLE, WA** - November 8, 2006 - Marchex, Inc. (NASDAQ: MCHX, MCHXP) today reported its results for the third quarter ended September 30, 2006. Consolidated Financial Results:

- Revenue was \$32.3 million for the third quarter of 2006, a 26% increase compared to \$25.6 million for the same period of 2005.
- GAAP net loss applicable to common stockholders was \$411,000 for the third quarter of 2006 or \$0.01 per share, compared to GAAP net income applicable to common stockholders of \$27,000 or \$0.00 per share for the same period of 2005. The third quarter 2006 results included non-cash stock-based compensation expense recorded under the fair value method of \$3.2 million, compared to non-cash stock-based compensation expense of \$558,000 for the same period in 2005.
- We provide a reconciliation of GAAP EPS to Adjusted Non-GAAP EPS in the last financial tables attached to this press release and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures. Adjusted non-GAAP EPS for the third quarter of 2006 was \$0.13, compared to \$0.09 for the same period of 2005. Some Wall Street analysts use non-GAAP measures to analyze our operating results, which may include adjusted non-GAAP EPS, adjusted operating income before amortization and adjusted EBITDA. We present GAAP measures with equal or greater prominence than non-GAAP measures and such non-GAAP measures should not be considered a substitute for, or superior to, GAAP results.
- Adjusted operating income before amortization was \$8.6 million for the third quarter of 2006, which is an increase of 26% compared to \$6.8 million for the same period of 2005. A reconciliation of non-GAAP adjusted operating income before amortization to GAAP operating income (loss) and GAAP net income (loss) is attached to the financial tables included in this release.
- Adjusted EBITDA was \$10.2 million in the third quarter of 2006, which is an increase of 26% compared to \$8.1 million for the same period of 2005. A reconciliation of operating income (loss) before taxes, depreciation, amortization and gain/loss on sales and disposals of intangible assets to GAAP net cash provided by operating activities is attached to the financial tables included in this release.
- Third quarter results and outlook for the remainder of 2006, reflect in part the following events and trends:
  - An increase in revenue attributable to proprietary traffic sources in the third quarter;
  - A sequential increase of more than 10% in the third quarter of 2006 over the second quarter of 2006 in revenue-per-click rates from Marchex's proprietary advertisers accessing proprietary traffic sources;
  - An increase in the third quarter of 2006 in monetization per user from proprietary traffic sources;
  - Lower revenue in recent months from advertisers in certain vertical categories such as finance and real estate, driven by lower third party inventory and lower advertiser budgets;
  - Lower than anticipated third party revenue-per-click rates in certain areas including decreases versus prior year and prior quarter levels; and
  - In the near term, Marchex anticipates increasingly higher professional service costs associated with year-end public company reporting requirements.

"Marchex made significant product development and solid operational progress in the third quarter," said Russell C. Horowitz, Marchex Chairman and CEO. "We believe that we are putting the product and technology elements together that will drive utility, user retention and long term growth in our proprietary network and we plan to continue our significant investment in building these products and expanding our online footprint."

### UPDATED STATISTICS AND RECENT HIGHLIGHTS

- **Proprietary traffic:** Marchex today announced that its proprietary network of vertical and local Web sites attracted approximately 28 million

unique visitors for the month of September 2006. Unique visitor statistics are based on internal traffic logs, which calculate unique IP (Internet protocol) addresses on an unduplicated basis during a given month. For the third quarter in 2006, revenue attributable to proprietary traffic sources was \$12.3 million.

- **Updated data from initial local and vertical Web sites with Open List integration:** Marchex today announced the results from the initial launch of its local and vertical Web sites on May 30, 2006, which featured integrations from Marchex's search technology and content aggregation engine, Open List ([www.openlist.com](http://www.openlist.com)). Selected results and trends from the 29 beta Web sites are as follows and represent data for the full month of September 2006 versus data for the average of the months of March, April and May 2006, which were the three months prior to launch (such selected results and trends are not indicative of future results and trends).
  - i. Pageviews - Pageviews to these beta Web sites increased more than 300% for the month of September 2006 over the average pageviews for the months of March, April and May 2006.
  - ii. Revenue - Revenue from these beta Web sites increased more than 90% for the month of September 2006 over the average revenue for the months of March, April and May 2006.
  - iii. Traffic Referrals - For the month of September 2006, referring traffic to these beta Web sites was generated from the following sources: 10% from natural / algorithmic search engines with the remainder principally from direct type-in traffic or bookmarks.
  - iv. Search Keywords - Data indicates that referring traffic to the Web sites from natural / algorithmic search engines was driven by more than exact match search queries. For the month of September 2006, an average beta Web site generated traffic from search engine referrals resulting from 60 unique search keywords or keyword phrases. For example, natural / algorithmic search traffic to [www.sushibar.com](http://www.sushibar.com) was generated by more than 125 unique search keywords or keyword phrases.
- **Launch of additional Web sites with expanded Open List search and content platform:** Marchex today announced that it has expanded its Open List search technology and content aggregation engine to include relevant searchable content and data covering 20,000 specific business categories and more than 15 million unique business listings and associated pieces of content, up from approximately one million listings and related content just a few months ago. While this information is not yet accessible at the Open List Web site, Marchex has made relevant parts of it available on more than 50 vertical / local Web sites as part of its continued effort to add relevant content and services across its network of more than 200,000 Web sites.
- **New portal for Marchex-owned Web sites:** In 2007, Marchex plans to relaunch the Open List search platform and leverage it as a gateway for its network of 200,000 Web sites. This gateway site will offer a search product for consumers and allow consumers to easily navigate back to a home search page, from Marchex's network of Web sites. In addition, this site will offer a variety of marketing opportunities for advertisers and advertiser aggregator partners.
- **Partner, or third-party, distribution:** During the quarter, Marchex announced new premium publisher wins with TheStreet.com and Line56 Media. This adds to Marchex's relationships with more than 100 vertically focused and brand-name online publishers, such as BusinessWeek Online, The Motley Fool, Forbes.com, and the Ziff Davis online properties.
- **Advertiser product introduction:** Earlier this week, Marchex announced the launch of the Marchex Network, an advertising network featuring Marchex's more than 200,000 Web sites as the foundation of its proprietary traffic available to advertisers. Advertisers can directly bid for placement on a Cost-Per-Click basis across Marchex's network of Web sites, based on designated keywords and categories. The advertiser sign-up process is accessible on most of Marchex's 200,000 Web sites via a link stating: 'Advertise on this Network.'

#### MARCHEX FINANCIAL GUIDANCE:

Marchex is updating its previous guidance provided on August 8, 2006, as follows:

2006 consolidated revenue range estimate:	\$128 million to \$131 million
2006 adjusted operating income before amortization target range:	\$33 million to \$35 million
Long-term adjusted operating income before amortization margins:	30% or more

#### CONFERENCE CALL AND WEBCAST INFORMATION:

Management will hold a conference call, starting at 5:00 p.m. EDT on Wednesday, November 8, 2006 to discuss its

third quarter 2006 results and other company updates.

#### **ABOUT MARCHEX, INC.**

Marchex ([www.marchex.com](http://www.marchex.com)) is a technology driven search and media company focused on vertical and local online traffic. Specifically, the company is focused on search marketing, local search, and direct navigation. Marchex's platform of integrated performance-based advertising and search marketing services enables merchants to efficiently market and sell their products and services across multiple online distribution channels, including search engines, product shopping engines, directories and selected Web sites.

#### **FORWARD LOOKING STATEMENTS:**

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding our strategy, future operations, future financial position, future revenues, acquisitions, projected costs, prospects, plans and objectives of management are forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. There are a number of important factors that could cause Marchex's actual results to differ materially from those indicated by such forward-looking statements which are described in the "Risk Factors" section of our most recent periodic report and registration statement filed with the SEC. All of the information provided in this release is as of August 8, 2006 and Marchex undertakes no duty to update the information provided herein.

#### **NON-GAAP FINANCIAL INFORMATION:**

To supplement Marchex's consolidated financial statements presented in accordance with GAAP and to provide clarity internally and externally, Marchex uses certain non-GAAP measures of financial performance and liquidity, including OIBA, Adjusted OIBA, Adjusted EBITDA and Adjusted non-GAAP EPS. Marchex also provides Pro Forma Revenue information for the three and nine months ended September 30, 2005 and 2006 as if the Name Development and Pike Street asset acquisitions and the IndustryBrains acquisition in 2005, and the AreaConnect and Open List asset acquisitions in 2006 occurred as of January 1, 2005, and the AreaConnect and Open List asset acquisitions in 2006 occurred as of January 1, 2006, respectively.

OIBA represents income (loss) from operations plus (1) stock-based compensation expense and (2) amortization of acquired intangible assets. This measure, among other things, is one of the primary metrics by which Marchex evaluates the performance of its business. Additionally, Marchex's management uses Adjusted OIBA which excludes any gain/loss on sales and disposals of intangible assets as this is viewed as non-recurring in nature. Adjusted OIBA is the basis on which Marchex's internal budgets are based and by which Marchex's management is currently evaluated. Marchex believes these measures are useful to investors because they represent Marchex's consolidated operating results, taking into account depreciation and other intangible amortization, which Marchex believes is an ongoing cost of doing business, but excluding the effects of certain other non-cash and non-recurring expenses. Adjusted EBITDA represents income before interest, income taxes, depreciation, amortization, stock compensation expense, and gain/loss on sales and disposals of intangible assets. Marchex believes that Adjusted EBITDA is another alternative measure of liquidity to GAAP net cash provided by operating activities that provides meaningful supplemental information regarding liquidity and is used by Marchex's management to measure its ability to fund operations and its financing obligations.

Adjusted non-GAAP EPS represents Adjusted Net Income divided by weighted average fully diluted shares outstanding for Adjusted non-GAAP EPS purposes. Adjusted Net Income generally captures those items on the statement of operations that have been, or ultimately will be, settled in cash exclusive of certain non-recurring items and represents net income (loss) available to common shareholders plus: (1) stock based compensation expense, (2) amortization of acquired intangible assets, (3) gain/loss on sales and disposals of intangible assets, (4) other income (expense) and (5) the cumulative effect of changes in accounting principles. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method and includes the weighted average number of all potential common shares relating to convertible preferred stock and restricted stock. Shares outstanding for Adjusted non-GAAP EPS purposes are therefore higher than shares outstanding for GAAP EPS purposes. Financial analysts

and investors may use Adjusted non-GAAP EPS to analyze Marchex's financial performance since these groups have historically used EPS related measures, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate a company's operating performance compared to that of other companies in its industry.

Marchex's management believes that investors should have access to, and Marchex is obligated to provide, the same set of tools that management uses in analyzing the company's results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, and should not be considered in isolation, as a substitute for, or superior to, GAAP results. These non-GAAP terms, as defined by Marchex, may not be comparable to similarly titled measures used by other companies. Marchex endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measure with equal or greater prominence, GAAP financial statements and detailed descriptions of the reconciling items and adjustments, including quantifying such items, to derive the non- GAAP measure.

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Click [here](#) to view Marchex's Third Quarter 2006 Financial Tables (.pdf format)