



Marchex Reports Third Quarter 2009 Financial Results

November 5, 2009

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Marchex, Inc. (NASDAQ: MCHX), a leading performance advertising company, today reported its results for the third quarter of 2009 ended September 30, 2009.

Third Quarter 2009 Consolidated Financial Results

- Revenue was \$22.2 million for the third quarter of 2009, compared to \$37.2 million for the same period of 2008.
- GAAP net income applicable to common stockholders was \$743,000 for the third quarter of 2009 or \$0.02 per diluted share. This compares to GAAP net income applicable to common stockholders of \$1.3 million or \$0.04 per diluted share for the same period of 2008. The third quarter 2009 results included non-cash stock-based compensation expense recorded under the fair value method of \$2.3 million, compared to non-cash stock-based compensation expense of \$3.2 million for the same period in 2008.
- We provide a reconciliation of GAAP diluted EPS to Adjusted non-GAAP EPS in the 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 2009 was \$0.03, compared to \$0.11 for the same period of 2008. 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 measures.
- Adjusted operating income before amortization was \$1.9 million for the third quarter of 2009, compared to \$6.6 million for the same period of 2008. A reconciliation of non-GAAP adjusted operating income before amortization to GAAP operating income and GAAP net income is included in the financial tables attached to this release.
- Adjusted EBITDA was \$3.4 million in the third quarter of 2009, compared to \$8.9 million for the same period of 2008. A reconciliation of adjusted EBITDA to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

"During the quarter we saw strong internal execution on our core strategic themes: (1) continue to innovate across our product platform, (2) win more customer relationships and grow existing ones, (3) invest in our people and expand our talent base, and (4) continue to find operational efficiencies and maintain discipline around costs. These themes translated to sequential growth in all of our performance advertising products, including Marchex Connect and our call- and click-based products," said Russell C. Horowitz, Marchex Chairman and Chief Executive Officer. "Our commitment to customers and focus on strong products and operations is laying a solid foundation for growth and puts Marchex in a position to fully realize the benefits of the continued shift in local advertising to performance-based models as the economy and advertiser budgets recover."

Operating Highlights

Local Advertising Services: For the third quarter of 2009, revenue from Local Advertising Services was \$15.9 million. Marchex ended the third quarter with more than 70,000 advertisers using its products and services. Based on ongoing progress, Marchex expects to add to its advertiser total in 2009.

Publishing (proprietary traffic sources): For the third quarter of 2009, revenue from Publishing was \$6.3 million.

Non-Operating Highlights

During the quarter, Marchex sold a small number of non-strategic domains that yielded more than \$1 million. There is still significant demand for high quality domains and Marchex believes that will remain the case for the foreseeable future.

In addition, during the third quarter of 2009, Marchex purchased 210,000 shares of its outstanding Class B common stock for a total price of \$930,000, bringing its total shares repurchased under its stock repurchase program to 8.1 million shares, or 22% of its outstanding common stock.

Marchex Financial Guidance

"While there are some signs of stabilization and growth in core products, we continue to experience an advertising environment with shorter-term visibility as compared to prior years. As a result, we believe it prudent to not issue guidance at this time," said Horowitz. "Despite these factors, Marchex continues to generate cash every quarter and has no debt."

Conference Call and Webcast Information

Management will hold a conference call, starting at 5:00 p.m. ET on Thurs., November 5, 2009 to discuss its third quarter ended September 30, 2009 financial results, and other company updates.

About Marchex

Marchex (www.marchex.com) provides call- and click-based performance advertising products. Marchex's products support tens of thousands of advertisers, ranging from local businesses to the Fortune 500.

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 and other financial guidance, 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 November 5, 2009 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.

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 these are 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 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 stockholders 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 less (5) discount on preferred stock redemption. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method, includes the weighted average number of all potential common shares relating to convertible preferred stock and restricted stock and excludes the weighted average common share equivalents for redeemed preferred shares. 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 2009 Financial Tables](#) (.pdf format)