



Marchex Reports Third Quarter 2008 Financial Results

November 5, 2008

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Marchex, Inc. (NASDAQ: MCHX), a local search and advertising company, today reported its results for the third quarter ended September 30, 2008.

Third Quarter 2008 Consolidated Financial Results

- Revenue was \$37.2 million for the third quarter of 2008, compared to \$33.5 million for the same period of 2007.
- GAAP net income applicable to common stockholders was \$1.3 million for the third quarter of 2008 or \$0.04 per diluted share. This compares to GAAP net loss applicable to common stockholders of \$1.5 million or \$0.04 per diluted share for the same period of 2007. The third quarter 2008 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 \$3.0 million for the same period in 2007.
- 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 2008 was \$0.11, compared to \$0.07 for the same period of 2007. 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 \$6.6 million for the third quarter of 2008, compared to \$4.8 million for the same period of 2007. 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 \$8.9 million in the third quarter of 2008, compared to \$7.3 million for the same period of 2007. A reconciliation of operating income before taxes, depreciation, amortization and gain/loss on sales and disposals of intangible assets to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

"In the third quarter, we continued to focus Marchex's business around our local and strategic initiatives. Because of this focus and the investments we made in our partners and products throughout 2008, we have hit the major operational milestones we laid out at the beginning of the year, including launching a major update to our industry leading local advertising platform," said Russell C. Horowitz, Marchex Chairman and CEO. "The current economic climate is challenging for advertisers and we are realistic about the impact the fluid economic conditions will have on the advertising sector as a whole for the foreseeable future. However, we believe that the local online opportunity will outpace overall Internet advertising on a relative basis, and that Marchex is very well positioned in local, one of the most important markets within Internet advertising over the next several years. We believe our strong operating cash flow characteristics, product and partnership pipeline, cash-rich and debt free balance sheet, in conjunction with our continued financial discipline, will enable us to weather the economic headwinds and come out in a better relative position as the economy recovers."

Operating Highlights

Local Advertising Services: For the third quarter of 2008, revenue from Local Advertising Services was \$17.5 million. In the third quarter, Marchex added more than 5,000 new advertisers through its local aggregator partnerships and direct sales channel. Marchex now has more than 80,000 advertisers using its products and services. While it is more difficult to predict advertiser growth rates in the current economy, Marchex still expects to reach its previously stated goal of 100,000 local advertisers using Marchex products and services by the end of 2009.

Local Search Network (proprietary traffic sources): For the third quarter of 2008, revenue from Marchex's Local Search Network was \$19.7 million. Additionally, Marchex attracted more than 33 million unique visitors for the month of September 2008 and delivered more than 180 million revenue-generating events and referrals in the third quarter. Unique visitor statistics are based on internal traffic logs, which calculate unique IP (Internet protocol) addresses on an unduplicated basis during a given month.

Non-Operating Highlights

During the third quarter of 2008, Marchex purchased 745,000 shares of its outstanding Class B common stock for a total price of \$8.5 million, bringing its total shares repurchased under its stock repurchase program to 4.6 million shares, or 12% of its outstanding common stock.

Marchex Financial Guidance

The following forward-looking statements reflect Marchex's expectations as of November 5, 2008.

Marchex is revising its guidance for fiscal year 2008 (Year ending December 31, 2008):

Revenue estimate:	\$146.5 million to \$148 million
Adjusted operating income before amortization estimate:	\$22.4 million to \$23.2 million

Adjusted EBITDA: For adjusted EBITDA, Marchex anticipates add-backs of \$9.5 million or more in additional depreciation and amortization to its adjusted operating income before amortization range, implying an adjusted EBITDA of \$31.9 million to \$32.7 million for 2008.

Guidance for fourth quarter 2008:

Revenue estimate:	\$35 million to \$36.5 million
Adjusted operating income before amortization estimate:	\$5.3 million to \$6.1 million

Adjusted EBITDA: For adjusted EBITDA, Marchex anticipates add-backs of approximately \$2.0 million in additional depreciation and amortization to its adjusted operating income before amortization range, implying an adjusted EBITDA of approximately \$7.3 million to \$8.1 million for the fourth quarter 2008.

For the fourth quarter of 2008, Marchex anticipates a sequentially down quarter in the Local Advertising Services line as Marchex continues to deemphasize its Sitebox product for third-party domain owners, sees general weakness in advertising budgets compared to the third quarter, and as it completes the migration of a legacy customer out of Voice Services. Marchex also anticipates a modest impact to its Local Search Network on a sequential basis as it slows the rate at which it expands its direct inventory while focusing on product initiatives to continue improving relevancy.

Conference Call and Webcast Information

Management will hold a conference call, starting at 5:00 p.m. EST on Wednesday, November 5, 2008 to discuss its third quarter 2008 financial results and other company updates.

About Marchex

Marchex, Inc. (www.marchex.com) is a local search and advertising company. Marchex's innovative advertising platform delivers search- and call-based marketing products and services for local and national advertisers. Marchex's local search network, one of the largest online, helps consumers make better, more informed local decisions through its content-rich Web sites that reach tens of millions of unique visitors each month.

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, 2008 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, 2007 and 2008 as if the Marchex Voice Services, Inc. acquisition in September 2007 occurred as of January 1, 2007.

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 (1) any gain/loss on sales and disposals of intangible assets and (2) facility relocation 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), (5) facility relocation and less (6) 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 2008 Financial Tables](#) (.pdf format)