
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): February 14, 2008

Marchex, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50658
(Commission File Number)

35-2194038
(I.R.S. Employer
Identification No.)

413 Pine Street
Suite 500
Seattle, Washington 98101
(Address of Principal Executive Offices)

(206) 331-3300
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On February 14, 2008, Marchex, Inc. ("Marchex") is issuing a press release and holding a conference call regarding its financial results for the quarter and the year ended December 31, 2007 (the "Press Release"). The full text of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02 (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. Such information shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Marchex is referencing non-GAAP financial information in both the Press Release and on the conference call. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in the attached Press Release. Disclosures regarding definitions of these financial measures used by Marchex and why Marchex's management believes these financial measures provide useful information to investors is also included in the Press Release.

Item 7.01. Regulation FD Disclosure.

On November 15, 2006, Marchex issued a press release announcing that its Board of Directors adopted a stock repurchase program of up to 3 million shares of Marchex's Class B common stock through open market and privately negotiated transactions, at times and in such amounts as the company deems appropriate. To date, Marchex has purchased 2.2 million shares under the stock repurchase program.

On February 14, 2008, Marchex announced in the Press Release an increase in such stock repurchase program to provide for the repurchase of up to an aggregate of 5 million shares (less shares previously repurchased) of Marchex's Class B common stock through open market and privately negotiated transactions, at times and in such amounts as the company deems appropriate. The full text of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 7.01 (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that Section. Such information shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.****Exhibit No. Description**

99.1 Press Release of the Registrant, dated February 14, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 14, 2008

MARCHEX, INC.

By: /s/ Michael A. Arends

Name: Michael A. Arends

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Description

99.1 Press Release of Registrant, dated February 14, 2008.

**Marchex Reports Fourth Quarter and Full Year 2007 Financial Results, Increases
Stock Repurchase Program**

SEATTLE, WA – February 14, 2008 - Marchex, Inc. (NASDAQ: MCHX, MCHXP), a local online advertising company and leading publisher of local content, today reported its results for the fourth quarter of 2007 and full year ended December 31, 2007.

Fourth Quarter 2007 Consolidated Financial Results:

- Revenue was \$37.0 million for the fourth quarter of 2007, compared to \$32.6 million for the same period of 2006.
- GAAP net loss applicable to common stockholders was \$774,000 for the fourth quarter of 2007 or \$0.02 loss per diluted share. This compares to GAAP net income applicable to common stockholders of \$5.0 million or \$0.01 loss per diluted share for the same period of 2006. The GAAP diluted EPS calculation in 2006 excludes the effect of the non-cash non-recurring discount on preferred stock redemption of \$5.8 million, net of dividends on the redeemed preferred shares of \$197,000. The fourth quarter 2007 results included non-cash stock-based compensation expense recorded under the fair value method of \$2.1 million, compared to non-cash stock-based compensation expense of \$2.6 million for the same period in 2006.
- 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 fourth quarter of 2007 was \$0.08, compared to \$0.13 for the same period of 2006. 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 \$5.3 million for the fourth quarter of 2007, compared to \$8.3 million for the same period of 2006. 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 \$7.9 million in the fourth quarter of 2007, compared to \$10.0 million for the same period of 2006. A reconciliation of operating income before taxes, depreciation, amortization and gain/loss on sales of intangible assets to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

Full Year 2007 Results:

- Revenue for the year ended December 31, 2007 was \$139.4 million, compared to \$127.8 million for 2006.
- GAAP net loss applicable to common stockholders was \$1.4 million or \$0.04 loss per diluted share for 2007. This compares to GAAP net income applicable to common stockholders of \$2.8 million or \$0.04 loss per diluted share for the same period of 2006. The GAAP diluted EPS calculation in 2006 excludes the effect of the non-cash non-recurring discount on preferred stock redemption of \$5.8 million, net of dividends on the redeemed preferred shares of \$197,000.

- As discussed in the summary of the fourth quarter 2007 consolidated financial results, 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 2007 was \$0.36, compared to \$0.47 for 2006.
- Adjusted operating income before amortization was \$24.0 million for 2007, compared to \$33.4 million 2006. 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 \$33.3 million for 2007, compared to \$39.5 million for 2006. A reconciliation of operating income before taxes, depreciation, amortization and gain/loss on sales of intangible assets to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

“Marchex’s focus on the local online opportunity led to our positive performance in the fourth quarter and increased momentum in our business,” said Russell C. Horowitz, Marchex Chairman and CEO. “Marchex is achieving leadership in local through two means: first, by building and delivering the most local-centric advertising platform in the industry, supporting clicks and calls; and, second, by delivering unparalleled utility and relevance to local consumers through our network of proprietary local Web sites. Our success in each of these areas is already leading Marchex to a point of scale that few companies in the local online industry possess, and is positioning us to capture increased market share and see accelerating growth.”

Operating Highlights:

Local Advertiser Growth: In the fourth quarter, Marchex added more than 5,000 new advertisers through its aggregator partnerships and direct sales channel. Marchex now has more than 55,000 advertisers using its products and services and, based on current growth rates, anticipates it will have more than 80,000 advertisers using its products and services by the end of 2009.

Local Advertising Services: For the fourth quarter of 2007, revenue from local advertising services was \$25.6 million compared to \$19.5 million in 2006. One of the primary factors driving growth for the quarter was the continued increase in the number of new advertisers using Marchex products and services.

Local Content Network (proprietary traffic sources): Marchex’s Local Content Network is comprised of two areas: (1) Local Reference Web sites, and (2) community content and features. Local Reference Web sites are those sites within our network that help consumers find local businesses and services, and include sites such as OpenList.com, Yellow.com, and ChicagoDoctors.com. For the fourth quarter of 2007, revenue from proprietary traffic sources was \$11.4 million. Additionally, Marchex attracted more than 26 million unique visitors for the month of December 2007 and delivered more than 50 million revenue-generating events and referrals in the fourth 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.

Stock Repurchase Program:

Marchex today announced that it is revising its stock repurchase program to increase the amount of shares available for purchase to up to a total of 5 million shares from 3 million shares previously authorized, less shares repurchased to date.

During the fourth quarter of 2007, Marchex purchased 770,000 shares of its outstanding Class B common stock for a total price of \$8.5 million, bringing its total shares repurchased in 2007 to 2.2 million shares, or 5% of its outstanding common stock. Under the revised program, an additional 2.8 million shares remain available for repurchase.

Marchex Financial Guidance:

The following forward-looking statements reflect Marchex's expectations as of February 14, 2008:

Guidance for fiscal year 2008 (Year ending December 31, 2008):

Revenue estimate: More than \$150 million

Adjusted operating income before amortization estimate: More than \$21 million

Adjusted EBITDA: For adjusted EBITDA, Marchex anticipates add-backs of approximately \$9 million in additional depreciation and amortization to its adjusted operating income before amortization range, implying an adjusted EBITDA of more than \$30 million for 2008.

Guidance for first quarter 2008:

Revenue estimate: More than \$35.5 million

Adjusted operating income before amortization estimate: More than \$4.5 million

Adjusted EBITDA: For adjusted EBITDA, Marchex anticipates add-backs of approximately \$2.3 million in additional depreciation and amortization to its adjusted operating income before amortization range, implying an adjusted EBITDA of more than \$6.8 million for the first quarter of 2008.

For color on guidance for the first quarter of 2008, while Marchex anticipates continued momentum in its Local Advertising Services business, the company does expect a seasonal impact from advertisers lowering their budgets relative to the seasonally high fourth quarter. Additionally, Marchex expects revenue from proprietary traffic sources to be in a similar range to or slightly better than the fourth quarter of 2007. This is based on anticipated increases in consumer usage on Marchex's Local Content Network and increased amounts from third parties, with certain offsets from the company's ongoing efforts to increase direct sales of advertising inventory and lower sales and marketing expenses on a year-over-year basis.

Conference Call and Webcast Information:

Management will hold a conference call, starting at 5:00 p.m. EDT on Thursday, February 14, 2008 to discuss its fourth quarter and year ended December 31, 2007 financial results and other company updates. To access the call by live Webcast, please log onto the Investor Relations section of the Marchex Web site (www.marchex.com/investors). An archived version of the Webcast will also be available, beginning two hours after completion of the call, at the same location.

About Marchex, Inc.

Marchex (www.marchex.com) is a local online advertising company and leading publisher of local content. Marchex's innovative advertising platform delivers search- and call-based marketing products and services for local and national advertisers. Marchex's local content network, one of the largest online, helps consumers make better, more informed local decisions through its network of 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, 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 February 14, 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 months and years ended December 31, 2006 and 2007 as if the AreaConnect and Open List asset acquisitions in 2006 and the VoiceStar acquisition in 2007 occurred as of January 1, 2006, and the VoiceStar acquisition in 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) the cumulative effect of changes in accounting principles, (6) facility relocation and less (7) 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.

For further information, contact:

Marchex Investor Relations:

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MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)

| | Three Months Ended December 31, | |
|--|------------------------------------|---------------------|
| | 2006 | 2007 |
| Revenue | \$32,606,314 | \$37,008,033 |
| Expenses: | | |
| Service costs (1) | 15,377,218 | 20,079,692 |
| Sales and marketing (1) | 5,814,305 | 5,311,134 |
| Product development (1) | 2,624,636 | 3,454,849 |
| General and administrative (1) | 3,168,286 | 4,986,514 |
| Amortization of intangible assets from acquisitions | 5,121,162 | 4,325,618 |
| Total operating expenses | <u>32,105,607</u> | <u>38,157,807</u> |
| Gain on sales and disposals of intangible assets, net | 85,194 | 997 |
| Income (loss) from operations | 585,901 | (1,148,777) |
| Interest income and other, net | 835,992 | 370,827 |
| Income (loss) before provision for income taxes | 1,421,893 | (777,950) |
| Income tax expense (benefit) | 1,984,954 | (21,676) |
| Net loss | (563,061) | (756,274) |
| Convertible preferred stock dividends and discount on preferred stock redemption | (5,535,570) | 17,891 |
| Net income (loss) applicable to common stockholders | <u>\$ 4,972,509</u> | <u>\$ (774,165)</u> |
| Basic net income (loss) applicable to common stockholders | \$ 0.13 | \$ (0.02) |
| Diluted net loss applicable to common stock holders | \$ (0.01)(2) | \$ (0.02) |
| Shares used to calculate basic net income (loss) per share applicable to common stockholders | 38,845,086 | 37,735,790 |
| Shares used to calculate diluted net loss per share applicable to common stockholders | 39,745,623(2) | 37,735,790 |

(1) Includes stock-based compensation allocated as follows:

| | | |
|----------------------------|---------------------|---------------------|
| Service costs | \$ 417,166 | \$ (16,737) |
| Sales and marketing | 160,102 | (271,161) |
| Product development | 831,983 | 189,863 |
| General and administrative | 1,224,911 | 2,191,320 |
| Total | <u>\$ 2,634,162</u> | <u>\$ 2,093,285</u> |

(2) Calculation of the 2006 diluted net loss per share applicable to common stockholders excludes the effect of the discount on preferred stock redemption of \$5.8 million, net of dividends on the redeemed preferred shares of \$197,000. The shares used to calculate the 2006 diluted net loss per share applicable to common stockholders includes the weighted average common share equivalents for the redeemed preferred shares.

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)

| | Year Ended December 31, | |
|---|----------------------------|-----------------------|
| | 2006 | 2007 |
| Revenue | \$127,759,475 | \$139,390,659 |
| Expenses: | | |
| Service costs (1) | 60,433,611 | 70,901,141 |
| Sales and marketing (1) | 23,050,654 | 24,962,682 |
| Product development (1) | 10,094,967 | 12,018,010 |
| General and administrative (1) | 13,533,215 | 17,777,790 |
| Amortization of intangible assets from acquisitions | 20,465,128 | 16,930,348 |
| Facility relocation | — | 121,124 |
| Total operating expenses | <u>127,577,575</u> | <u>142,711,095</u> |
| Gain on sales and disposals of intangible assets, net | 369,960 | 283,076 |
| Loss from operations | 551,860 | (3,037,360) |
| Interest income and other, net | 3,143,363 | 2,492,493 |
| Income (loss) before provision for income taxes | 3,695,223 | (544,867) |
| Income tax expense | 4,290,201 | 960,401 |
| Loss before cumulative effect of a change in accounting principle | (594,978) | (1,505,268) |
| Cumulative effect of a change in accounting principle, net of tax (2) | 151,341 | — |
| Net loss | (443,637) | (1,505,268) |
| Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption, net | (3,197,341) | (95,148) |
| Net income (loss) applicable to common stockholders | <u>\$ 2,753,704</u> | <u>\$ (1,410,210)</u> |
| Basic net income (loss) per share applicable to common stockholders | \$ 0.07 | \$ (0.04) |
| Diluted net loss per share applicable to common stockholders | \$ (0.04)(3) | \$ (0.04) |
| Basic net income (loss) applicable to common stockholders | 38,261,884 | 38,937,697 |
| Diluted net loss applicable to common stock holders | 39,500,123(3) | 38,937,697 |

(1) Includes stock-based compensation allocated as follows:

| | | |
|----------------------------|----------------------|----------------------|
| Service costs | \$ 1,177,773 | \$ 285,329 |
| Sales and marketing | 2,996,945 | 565,445 |
| Product development | 3,278,513 | 1,732,880 |
| General and administrative | 5,338,287 | 7,725,515 |
| Total | <u>\$ 12,791,518</u> | <u>\$ 10,309,169</u> |

(2) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.

(3) Calculation of the 2006 diluted net loss per share applicable to common stockholders excludes the effect of the discount on preferred stock redemption of \$5.8 million, net of dividends on the redeemed preferred shares of \$197,000. The shares used to calculate the 2006 diluted net loss per share applicable to common stockholders includes the weighted average common share equivalents for the redeemed preferred shares.

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

| | December 31, 2006 | December 31, 2007 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 46,105,827 | \$ 36,456,307 |
| Trade accounts receivable, net | 22,035,343 | 18,307,386 |
| Prepaid expenses and other current assets | 2,221,550 | 2,118,390 |
| Refundable taxes | 1,837,166 | 1,693,695 |
| Deferred tax assets | 670,624 | 867,465 |
| Total current assets | 72,870,510 | 59,443,243 |
| Property and equipment, net | 7,280,075 | 7,357,903 |
| Deferred tax assets | 2,444,782 | 7,447,315 |
| Intangibles and other assets, net | 13,318,801 | 17,381,827 |
| Goodwill | 200,738,098 | 204,766,826 |
| Intangible assets from acquisitions, net | 36,735,570 | 23,797,231 |
| Total assets | <u>\$333,387,836</u> | <u>\$320,194,345</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,739,231 | \$ 11,625,779 |
| Accrued expenses and other current liabilities | 2,913,152 | 3,668,342 |
| Deferred revenue | 2,430,644 | 2,906,379 |
| Total current liabilities | 16,083,027 | 18,200,500 |
| Other non-current liabilities | 91,907 | 105,368 |
| Total liabilities | 16,174,934 | 18,305,868 |
| Stockholders' equity: | | |
| Convertible preferred stock | 2,342,884 | 1,446,649 |
| Class A common stock | 119,217 | 113,717 |
| Class B common stock | 276,361 | 298,164 |
| Treasury stock | — | (22,116,275) |
| Additional paid-in capital | 320,607,113 | 329,858,427 |
| Accumulated deficit | (6,132,673) | (7,712,205) |
| Total stockholders' equity | 317,212,902 | 301,888,477 |
| Total liabilities and stockholders' equity | <u>\$333,387,836</u> | <u>\$320,194,345</u> |

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of Revenue to Pro Forma Revenue
(unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-------------------------------|------------------------------------|----------------------|-------------------------------------|-----------------------|
| | 2006 | 2007 | 2006 | 2007 |
| Revenue, as reported | \$ 32,606,314 | \$ 37,008,033 | \$ 127,759,475 | \$ 139,390,659 |
| AreaConnect pro forma revenue | — | — | 649,675 | — |
| Open List pro forma revenue | — | — | 156,511 | — |
| VoiceStar pro forma revenue | 310,654 | — | 772,971 | 1,675,712 |
| Pro forma eliminations | — | — | (22,259) | — |
| Pro forma Revenue | <u>\$ 32,916,968</u> | <u>\$ 37,008,033</u> | <u>\$ 129,316,373</u> | <u>\$ 141,066,371</u> |

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP Net Income (Loss) to Operating Income Before Amortization (OIBA) and
Adjusted Operating Income Before Amortization (Adjusted OIBA)
(unaudited)

| | Three Months Ended December 31, | |
|--|------------------------------------|---------------------|
| | 2006 | 2007 |
| Net income (loss) applicable to common stockholders | \$ 4,972,509 | \$ (774,165) |
| Convertible preferred stock dividends and discount on preferred stock redemption | (5,535,570) | 17,891 |
| Net loss | (563,061) | (756,274) |
| Income tax expense (benefit) | 1,984,954 | (21,676) |
| Income (loss) before provision for income taxes | 1,421,893 | (777,950) |
| Interest income and other, net | (835,992) | (370,827) |
| Income (loss) from operations | 585,901 | (1,148,777) |
| Stock-based compensation | 2,634,162 | 2,093,285 |
| Amortization of intangible assets from acquisitions | 5,121,162 | 4,325,618 |
| Operating income before amortization (OIBA) | 8,341,225 | 5,270,126 |
| Gain on sales and disposals of intangible assets, net | (85,194) | (997) |
| Adjusted operating income before amortization (Adjusted OIBA) | <u>\$ 8,256,031</u> | <u>\$ 5,269,129</u> |

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP Net Income (Loss) to Operating Income Before Amortization (OIBA) and
Adjusted Operating Income Before Amortization (Adjusted OIBA)
(unaudited)

| | Year Ended December 31, | |
|---|----------------------------|---------------------|
| | 2006 | 2007 |
| Net income (loss) applicable to common stockholders | \$ 2,753,704 | \$ (1,410,120) |
| Convertible preferred stock dividends, conversion payment and discount on preferred stock redemption, net | (3,197,341) | (95,148) |
| Net loss | (443,637) | (1,505,268) |
| Cumulative effect of a change in accounting principle, net of tax (1) | 151,341 | — |
| Loss before cumulative effect of a change in accounting principle | (594,978) | (1,505,268) |
| Income tax expense | 4,290,201 | 960,401 |
| Income (loss) before provision for income taxes | 3,695,223 | (544,867) |
| Interest income and other, net | (3,143,363) | (2,492,493) |
| Income (loss) from operations | 551,860 | (3,037,360) |
| Stock-based compensation | 12,791,518 | 10,309,169 |
| Amortization of intangible assets from acquisitions | 20,465,128 | 16,930,348 |
| Operating income before amortization (OIBA) | 33,808,506 | 24,202,157 |
| Facility relocation | — | 121,124 |
| Gain on sales and disposals of intangible assets, net | (369,960) | (283,076) |
| Adjusted operating income before amortization (Adjusted OIBA) | <u>\$33,438,546</u> | <u>\$24,040,205</u> |

(1) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation from Net Cash provided by Operating Activities to Adjusted EBITDA
(unaudited)

| | Three Months Ended December 31, | |
|--|------------------------------------|---------------------|
| | 2006 | 2007 |
| Net cash provided by operating activities | \$ 3,974,053 | \$ 9,496,441 |
| Changes in asset and liabilities, net of effects of acquisitions | 4,444,289 | (1,298,969) |
| Provision for income taxes | 1,984,954 | (21,676) |
| Other item - facility relocation | (10,932) | 4,533 |
| Interest income and other, net | (835,592) | (370,721) |
| Income and excess tax benefits related to stock options | 437,667 | 87,330 |
| Adjusted EBITDA | <u>\$ 9,994,439</u> | <u>\$ 7,896,938</u> |

| | Year Ended December 31, | |
|--|----------------------------|---------------------|
| | 2006 | 2007 |
| Net cash provided by operating activities | \$30,807,871 | \$37,068,910 |
| Changes in asset and liabilities, net of effects of acquisitions | 5,069,636 | (4,816,666) |
| Provision for income taxes | 4,290,201 | 960,401 |
| Other item - facility relocation | 32,499 | 12,614 |
| Interest income and other, net | (3,152,727) | (2,495,630) |
| Income and excess tax benefits related to stock options | 2,463,018 | 2,550,308 |
| Adjusted EBITDA | <u>\$39,510,498</u> | <u>\$33,279,937</u> |

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP EPS to Adjusted Non-GAAP EPS
(unaudited)

| | Three Months Ended December 31, | |
|---|------------------------------------|--------------|
| | 2006 | 2007 |
| Adjusted Non-GAAP EPS | \$ 0.13 | \$ 0.08 |
| Net loss per share applicable to common stockholders - diluted (GAAP EPS) | \$ (0.01) | \$ (0.02) |
| Shares used to calculate diluted net loss per share applicable to common stockholders | 39,745,623 | 37,735,790 |
| Net income (loss) applicable to common stockholders | \$ 4,972,509 | \$ (774,165) |
| Discount on preferred stock redemption | (5,761,134) | — |
| Stock-based compensation | 2,634,162 | 2,093,285 |
| Amortization of intangible assets from acquisitions | 5,121,162 | 4,325,618 |
| Gain on sales and disposals of intangible assets, net | (85,194) | (997) |
| Interest income and other, net | (835,992) | (370,827) |
| Estimated impact of income taxes | (975,429) | (1,880,951) |
| Adjusted Non-GAAP net income applicable to common stockholders | \$ 5,070,084 | \$ 3,391,963 |
| Adjusted Non-GAAP EPS | \$ 0.13 | \$ 0.08 |
| Shares used to calculate diluted net loss per share applicable to common stockholders | 39,745,623 | 37,735,790 |
| Weighted average common share equivalents for redeemed preferred shares | (900,537) | — |
| Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable) | 1,591,877 | 3,747,029 |
| Shares used to calculate Adjusted Non-GAAP EPS | 40,436,963 | 41,482,819 |

For Adjusted Non-GAAP EPS, the impact of restricted stock (common shares subject to repurchase or cancellation) is based on the weighted average of restricted stock outstanding as compared with diluted shares for GAAP purposes, which included restricted stock on a treasury stock method basis.

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP EPS to Adjusted Non-GAAP EPS
(unaudited)

| | Year Ended December 31, | |
|---|----------------------------|---------------------|
| | 2006 | 2007 |
| Adjusted Non-GAAP EPS | \$ 0.47 | \$ 0.36 |
| Net loss per share applicable to common stockholders - diluted (GAAP EPS) | \$ (0.04) | \$ (0.04) |
| Shares used to calculate diluted net loss per share applicable to common stockholders | 39,500,123 | 38,937,697 |
| Net income (loss) applicable to common stockholders | \$ 2,753,704 | \$ (1,410,120) |
| Discount on preferred stock redemption | (5,761,134) | (163,867) |
| Stock-based compensation | 12,791,518 | 10,309,169 |
| Facility relocation | — | 121,124 |
| Amortization of intangible assets from acquisitions | 20,465,128 | 16,930,348 |
| Gain on sales and disposals of intangible assets, net | (369,960) | (283,076) |
| Cumulative effect of a change in accounting principle, net of tax (1) | (151,341) | — |
| Interest income and other, net | (3,143,363) | (2,492,493) |
| Estimated impact of income taxes | (7,730,395) | (7,734,810) |
| Adjusted Non-GAAP net income applicable to common stockholders | <u>\$18,854,157</u> | <u>\$15,276,275</u> |
| Adjusted Non-GAAP EPS | <u>\$ 0.47</u> | <u>\$ 0.36</u> |
| Shares used to calculate diluted net loss per share applicable to common stockholders | 39,500,123 | 38,937,697 |
| Weighted average common share equivalents for redeemed preferred shares | (1,238,239) | — |
| Weighted average stock options and warrants and common shares subject to repurchase or cancellation (if applicable) | 2,090,623 | 3,382,111 |
| Shares used to calculate Adjusted Non-GAAP EPS | <u>40,352,507</u> | <u>42,319,808</u> |

For Adjusted Non-GAAP EPS, the impact of restricted stock (common shares subject to repurchase or cancellation) is based on the weighted average of restricted stock outstanding as compared with diluted shares for GAAP purposes, which included restricted stock on a treasury stock method basis.

(1) As a result of the adoption of SFAS 123R, Marchex recorded an amount from the cumulative impact of the accounting change.