

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

OR

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

For the transition period from _____ to _____.

Commission File Number 000-50658

Marchex, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1200 5th Ave, Suite 1300
Seattle, WA

(Address of Principal Executive Offices)

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

98101
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, \$0.01 par value per share	MCHX	The NASDAQ STOCK MARKET LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 7, 2025, the registrant had 4,660,927 shares of Class A common stock outstanding. The number of shares of Registrant's Class B common stock outstanding as of November 7, 2025 was 39,245,334.

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MARCHEX, INC.

Form 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

MARCHEX, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In Thousands)

	(Unaudited) September 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,321	\$ 12,767
Accounts receivable, net	7,396	7,072
Prepaid expenses and other current assets	2,686	2,439
Total current assets	20,403	22,278
Property and equipment, net	1,722	1,811
Other assets, net	714	397
Right-of-use lease assets	748	1,156
Goodwill	17,558	17,558
Total assets	<u>\$ 41,145</u>	<u>\$ 43,200</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,640	\$ 1,349
Accrued benefits and payroll	1,026	2,133
Other accrued expenses and current liabilities	3,627	4,197
Deferred revenue and deposits	430	1,093
Operating lease liability, current	342	495
Total current liabilities	8,065	9,267
Deferred tax liabilities	678	579
Operating lease liability, non-current	460	721
Total liabilities	\$ 9,203	\$ 10,567
Commitments and contingencies - See Note 10		
Stockholders' equity:		
Common stock, \$0.01 par value; Authorized 137,500 shares		
Class A: 12,500 shares authorized; 4,661 shares issued and outstanding at September 30, 2025 and December 31, 2024	\$ 49	\$ 49
Class B: 125,000 shares authorized; 39,247 shares issued and outstanding at September 30, 2025, including 113 shares of restricted stock; and 39,025 shares issued and outstanding at December 31, 2024, including 365 shares of restricted stock	393	390
Additional paid-in capital	360,596	358,372
Accumulated deficit	(329,096)	(326,178)
Total stockholders' equity	31,942	32,633
Total liabilities and stockholders' equity	<u>\$ 41,145</u>	<u>\$ 43,200</u>

See accompanying Notes to the Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In Thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue	\$ 11,514	\$ 12,553	\$ 34,572	\$ 36,200
Expenses:				
Cost of revenue ⁽¹⁾	4,217	4,224	12,463	12,790
Amortization of capitalized software development costs ⁽¹⁾	29	—	39	—
Total cost of revenue ⁽¹⁾	4,246	4,224	12,502	12,790
Sales and marketing ⁽¹⁾	2,906	3,224	9,337	8,753
Product development	2,370	3,106	7,542	9,573
General and administrative	2,933	2,673	8,537	7,492
Amortization of intangible assets from acquisitions	—	151	—	452
Total operating expenses	\$ 12,455	\$ 13,378	\$ 37,918	\$ 39,060
Loss from operations	(941)	(825)	(3,346)	(2,860)
Interest income (expense) and other, net	(52)	19	569	(90)
Loss before income tax expense	(993)	(806)	(2,777)	(2,950)
Income tax expense	27	25	141	87
Net loss applicable to common stockholders	<u>\$ (1,020)</u>	<u>\$ (831)</u>	<u>\$ (2,918)</u>	<u>\$ (3,037)</u>
Basic and diluted net loss per Class A and B share applicable to common stockholders	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>
Shares used to calculate basic net loss per share applicable to common stockholders:				
Class A	4,661	4,661	4,661	4,661
Class B	39,247	38,539	39,183	38,445
Shares used to calculate diluted net loss per share applicable to common stockholders:				
Class A	4,661	4,661	4,661	4,661
Class B	43,908	43,200	43,844	43,106

⁽¹⁾ Excludes amortization of intangible assets from acquisitions

See accompanying Notes to the Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(In Thousands)
(Unaudited)

	Class A common stock		Class B common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2023	4,661	\$ 49	38,661	\$ 386	\$ 356,666	\$ (321,231)	\$ 35,870
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	433	—	433
Issuance of common stock in connection with prior deferred issuance from acquisition	—	—	356	3	(3)	—	—
Net loss	—	—	—	—	—	(1,450)	(1,450)
Balance at March 31, 2024	<u>4,661</u>	<u>\$ 49</u>	<u>39,017</u>	<u>\$ 389</u>	<u>\$ 357,096</u>	<u>\$ (322,681)</u>	<u>\$ 34,853</u>
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	437	—	437
Issuance of common stock upon vesting of restricted stock	—	—	4	—	—	—	—
Net loss	—	—	—	—	—	(756)	(756)
Balance at June 30, 2024	<u>4,661</u>	<u>\$ 49</u>	<u>39,021</u>	<u>\$ 389</u>	<u>\$ 357,533</u>	<u>\$ (323,437)</u>	<u>\$ 34,534</u>
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	411	—	411
Issuance of common stock in connection with prior deferred issuance from acquisition	—	—	—	1	—	—	1
Net loss	—	—	—	—	—	(831)	(831)
Balance at September 30, 2024	<u>4,661</u>	<u>\$ 49</u>	<u>39,021</u>	<u>\$ 390</u>	<u>\$ 357,944</u>	<u>\$ (324,268)</u>	<u>\$ 34,115</u>
	Class A common stock		Class B common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2024	4,661	\$ 49	39,025	\$ 390	\$ 358,372	\$ (326,178)	\$ 32,633
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	455	—	455
Issuance of common stock upon exercise of options, and issuance and vesting of restricted stock	—	—	198	2	266	—	268
Net loss	—	—	—	—	—	(1,982)	(1,982)
Balance at March 31, 2025	<u>4,661</u>	<u>\$ 49</u>	<u>39,223</u>	<u>\$ 392</u>	<u>\$ 359,093</u>	<u>\$ (328,160)</u>	<u>\$ 31,374</u>
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	556	—	556
Issuance of common stock upon exercise of options, and issuance and vesting of restricted stock	—	—	24	1	27	—	28
Net income	—	—	—	—	—	84	84
Balance at June 30, 2025	<u>4,661</u>	<u>\$ 49</u>	<u>39,247</u>	<u>\$ 393</u>	<u>\$ 359,676</u>	<u>\$ (328,076)</u>	<u>\$ 32,042</u>
Stock-based compensation from options and restricted stock, net of forfeitures	—	—	—	—	920	—	920
Net loss	—	—	—	—	—	(1,020)	(1,020)
Balance at September 30, 2025	<u>4,661</u>	<u>\$ 49</u>	<u>39,247</u>	<u>\$ 393</u>	<u>\$ 360,596</u>	<u>\$ (329,096)</u>	<u>\$ 31,942</u>

See accompanying Notes to the Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net loss applicable to common stockholders	\$ (2,918)	\$ (3,037)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization, depreciation, and loss on disposals	1,976	1,872
Gain on domain asset sale	(632)	—
Provision for doubtful accounts	71	(135)
Deferred income taxes	99	3
Stock-based compensation	1,931	1,281
Change in certain assets and liabilities:		
Accounts receivable, net	(394)	(231)
Prepaid expenses, other current assets, and other assets	(520)	102
Accounts payable	1,292	—
Accrued benefits and payroll, other accrued, and other liabilities	(1,771)	(712)
Deferred revenue and deposits	(663)	(355)
Net cash from (used in) operating activities	\$ (1,529)	\$ (1,979)
Cash flows from investing activities:		
Capitalized software development costs	(989)	—
Proceeds from domain asset sale	128	—
Purchases of property and equipment	(31)	(264)
Net cash from (used in) investing activities	\$ (892)	\$ (264)
Cash flows from financing activities:		
Proceeds from exercises of stock options, and issuance and vesting of restricted stock	296	—
Repayments under finance lease liabilities and related obligations	(321)	(286)
Net cash from (used in) financing activities	\$ (25)	\$ (286)
Net increase (decrease) in cash and cash equivalents	(2,446)	(2,529)
Cash and cash equivalents at beginning of period	12,767	14,607
Cash and cash equivalents at end of period	<u>\$ 10,321</u>	<u>\$ 12,078</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 56	\$ 65
Cash paid for interest	\$ 151	\$ 96
Non-cash purchases of property and equipment	\$ —	\$ 434

See accompanying Notes to the Consolidated Financial Statements.

MARCHEX, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Note 1: Description of Business and Basis of Presentation

Description of Business

Marchex, Inc. ("Marchex" or the "Company") is a conversation intelligence company that harnesses the power of artificial intelligence ("AI") and conversational intelligence to provide actionable insights aligned with prescriptive vertical market data analytics, driving operational excellence and revenue acceleration. Marchex enables executive, sales, and marketing teams to optimize customer journey experiences across all communications channels. Through our prescriptive analytics solutions, we enable the alignment of enterprise strategy, empowering businesses to increase revenue through informed decision-making and strategic execution. Marchex provides conversational intelligence AI-powered solutions for market-leading companies in leading business-to-business-to-consumer ("B2B2C") vertical markets, including several of the world's most innovative and successful brands.

Marchex was incorporated in the state of Delaware on January 17, 2003.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual Consolidated Financial Statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

The preparation of our Consolidated Financial Statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company has used estimates related to several financial statement amounts, including revenues, the fair value of stock option awards, and the impairment of goodwill. Actual results could differ from those estimates.

The accompanying Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto contained in the Company's Form 10-K for the year ended December 31, 2024, as filed with the SEC on March 14, 2025.

Recent Accounting Pronouncements Not Yet Effective

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Improvements to Income Tax Disclosures*, which requires public entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The Company is currently assessing the impact of this ASU on its Consolidated Financial Statement disclosures.

In January 2025, the FASB issued ASU 2025-01, *Expense Disaggregation Disclosures*, which updates the effective date of the November 2024 issued ASU 2024-03, that requires public entities to improve disclosures about their expenses and provide more detailed information about the types of expenses in commonly presented expense captions. ASU 2024-03 is now effective for annual periods beginning after December 15, 2026 and interim periods within annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently assessing the impact of this ASU on its Consolidated Financial Statement disclosures.

In September 2025, the FASB issued ASU 2025-06, *Internal-Use Software*, which makes improvements to internal-use software accounting guidance to better align with contemporary software development practices, rather than traditional, stage-based models. Under the revised guidance, a Company may begin capitalizing internal-use software costs only when management has authorized and committed to funding the project and it's probable that the project will be completed and used for its intended function. ASU 2025-06 is effective for annual periods beginning

after December 15, 2027, with early adoption permitted. The Company is currently assessing the impact of this ASU on its Consolidated Financial Statement disclosures.

Note 2: Revenue Recognition

The Company’s AI-powered conversational analytics technology platform provides data and insights into the conversations our clients are having with their customers across phone, text, and other communication channels. Our tools enable brands to personalize customer interactions in order to accelerate sales and capture more opportunities to grow their business. The Company generates revenue from the Company’s conversational analytics technology platform when customers pay the Company a fee for call, text, or other communication related data elements they receive from calls or texts or for each phone number tracked based on a pre-negotiated rate. Revenue is recognized as services are provided over time, which is generally measured by the delivery of each call/text or call/text related data element or each phone number tracked.

The majority of the Company’s customers are invoiced on a monthly basis following the month of the delivery of services and are required to make payments under standard credit terms. Net accounts receivable was \$7.4 million, including unbilled accounts receivable of \$1.5 million, at January 1, 2024. Net accounts receivable, including unbilled accounts receivable, consists of the following as of the periods below:

(In Thousands)	September 30, 2025	December 31, 2024
Accounts receivable:		
Billed	\$ 5,833	\$ 5,420
Unbilled	1,645	1,736
Allowance for expected credit losses	(82)	(84)
Accounts receivable, net	<u>\$ 7,396</u>	<u>\$ 7,072</u>

Customer payments received in advance of revenue recognition are considered contract liabilities and are recorded as deferred revenue. The beginning and ending deferred revenue balances and activity during the period consists of the following:

(In Thousands)	September 30, 2025	December 31, 2024
Balance at December 31, 2024		\$ 1,093
Current year deferral of revenue		297
Revenue earned from beginning deferred revenue		(960)
Balance at September 30, 2025	<u>\$ 430</u>	

The Company’s incremental direct costs of obtaining a contract, which consist primarily of sales incentive compensation including commissions, are generally deferred and amortized to sales and marketing expense over the estimated life of the relevant customer relationship. The Company’s net contract acquisition costs shown below consist of \$0.9 million and \$0.8 million in *Prepaid expenses and other current assets* on the September 30, 2025 and December 31, 2024 Consolidated Balance Sheets, respectively, and \$0.3 million and \$0.4 million in *Other assets, net* on the September 30, 2025 and December 31, 2024 Consolidated Balance Sheets, respectively. The gross and net amounts consist of the following:

(In Thousands)	September 30, 2025	December 31, 2024
Contract assets:		
Gross balance	\$ 4,334	\$ 3,407
Accumulated amortization	(3,114)	(2,247)
Contract assets, net	<u>\$ 1,220</u>	<u>\$ 1,160</u>

Note 3: Segment Reporting and Geographic Information

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. For the three and nine months ended September 30, 2025 and 2024, the Company operated in a single segment comprised of its conversational analytics and related solutions. In accordance with Accounting Standards Codification ("ASC") 280, *Segment Reporting*, this single segment presentation is the basis upon which the Company's chief operating decision maker relies for performance evaluation and benchmarking.

Long-lived assets by geographical region are based on the location of the legal entity that owns the assets. As of September 30, 2025 and December 31, 2024, no significant long-lived assets were held by entities outside of the U.S.

Revenues from customers by geographical areas are tracked on the basis of the location of the customer. The majority of the Company's revenue and accounts receivable are derived from sales to domestic customers.

Revenues by geographic region are as follows:

(In Percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
United States	98%	99%	98%	99%
Canada and other countries	2%	1%	2%	1%
Total	100%	100%	100%	100%

Note 4: Concentrations

The Company maintains substantially all of its cash and cash equivalents with two financial institutions. The Company has one customer that generally represents more than 10% of consolidated revenue. The table below sets forth the percentage of the Company's consolidated revenue that was attributed to this customer for the periods presented below:

(In Percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Customer A	11%	9%	11%	10%

The Company has one customer that represents more than 10% of consolidated accounts receivable. The Company also has a significant concentration of credit risk arising from receivables due from a network of independent dealers that is above the 10% threshold. These dealers, while independently operated, sell the same brands and collectively represent a substantial portion of the Company's receivables. The table below sets forth the percentage of the Company's outstanding receivable balance that was attributed to this customer, and attributed to the aggregated balance due from the independent dealer network, as of the periods presented below:

(In Percentages)	Concentration type:	September 30,	December 31,
		2025	2024
	Customer A	21%	23%
	Independent dealer network A	15%	15%

Note 5: Fair Value of Financial Instruments

The Company had the following financial instruments as of September 30, 2025 and December 31, 2024: cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The carrying value of these financial instruments approximates their fair value based on the liquidity of these financial instruments and their short-term nature. Further, these financial instruments are considered at Level 1 fair value with observable inputs that reflect quoted prices for identical assets or liabilities in active markets. The following table provides information about the fair value of our cash and cash equivalents balance:

(In Thousands)	September 30, 2025	December 31, 2024
Level 1 assets:		
Cash	\$ 5,083	\$ 7,615
Money market funds	5,238	5,152
Total cash and cash equivalents	<u>\$ 10,321</u>	<u>\$ 12,767</u>

Note 6: Stockholders' Equity

Common Stock

In May 2025, the Company's board of directors authorized a new share repurchase program (the "2025 Repurchase Program"), which supersedes and replaces all prior repurchase programs. Under the 2025 Repurchase Program, the Company is authorized to repurchase up to 3,000,000 shares of the Company's Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as the Company deems appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2025 Repurchase Program does not have an expiration date and may be expanded, limited, or terminated at any time without prior notice. The Company has made no repurchases under the 2025 Repurchase Program and additionally no repurchases were made under the superseded 2014 Repurchase Program for the three and nine months ended September 30, 2025 and 2024, respectively. Shares repurchased but not yet retired by the Company will be classified as treasury stock on the Consolidated Balance Sheets before retirement. Retirement of treasury stock results in reductions to common stock and additional paid-in capital.

Stock-based Compensation Plans

The Company grants stock-based awards, including stock options, restricted stock awards ("RSAs"), and restricted stock units ("RSUs"). The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. The Company accounts for forfeitures as they occur. Stock-based compensation expense has been included in the same lines as compensation paid to the same employees in the Consolidated Statements of Operations.

Stock-based compensation expense was included in the following operating expense categories:

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Cost of revenue	\$ 4	\$ 8	\$ 8	\$ 14
Sales and marketing	100	41	297	217
Product development	70	13	175	35
General and administrative	746	349	1,451	1,015
Total stock-based compensation	<u>\$ 920</u>	<u>\$ 411</u>	<u>\$ 1,931</u>	<u>\$ 1,281</u>

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The Company uses the Black-Scholes option pricing model to estimate the per share fair value of stock option grants with time-based vesting. The Black-Scholes model relies on a number of key assumptions to calculate estimated fair values. For both the three and nine months ended September 30, 2025 and 2024, the expected life of each award granted was determined based on historical experience with similar awards, giving consideration to contractual terms, anticipated exercise patterns, and vesting schedules. Expected volatility is based on historical volatility levels of the Company's Class B common stock. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury issues with terms approximately equal to the expected life of the option. The Company uses an expected annual dividend yield in consideration of the Company's common stock dividend payments, which we consider to be zero.

The following assumptions were used in determining the fair value of time-vested stock option grants for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Expected life (in years)	4.00	4.00 - 6.25	4.00	4.00 - 6.25
Risk-free interest rate	3.93%	3.93% - 4.08%	3.65% - 4.32%	3.93% - 4.43%
Expected volatility	59%	57% - 59%	57% - 59%	57% - 64%

As of September 30, 2025, there were \$1.6 million of unrecognized compensation costs related to stock options. These costs are expected to be recognized over the weighted average periods of 2.30 years. Stock option activity during the period was as follows:

	Options (In Thousands)		Weighted average exercise price of options		Weighted average remaining contractual term (in years)
Balance at December 31, 2024	7,039	\$	1.91		7.57
Options granted	553		1.94		
Options forfeited	(297)		1.54		
Options expired	(168)		3.78		
Options exercised	(217)		1.39		
Balance at September 30, 2025	<u>6,910</u>	\$	1.90		7.50

As of September 30, 2025, there was \$0.4 million of unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over the weighted average period of 0.62 years. RSA and RSU activity during the period was as follows:

	Shares/ Units (In Thousands)		Weighted Average Grant Date Fair Value
Unvested at December 31, 2024	406	\$	2.04
Granted	447		1.75
Vested	(270)		1.90
Forfeited	(22)		2.86
Unvested at September 30, 2025	<u>561</u>	\$	1.87

Note 7: Net Loss Per Share

The Company computes net loss per share of Class A and Class B common stock using the two class method. Under the provisions of the two class method, basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the year. Diluted net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common and dilutive common equivalent shares outstanding during the period. The computation of the diluted net loss per share of Class B common stock assumes the conversion of Class A to Class B common stock, while the diluted net loss per share of Class A common stock does not assume the conversion of those shares.

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In accordance with the two class method, the undistributed loss for each period are allocated based on the contractual participation rights of the Class A and Class B common shares and the restricted shares as if the losses for the periods had been distributed. Considering the terms of the Company's charter which provides that, if and when dividends are declared on its common stock in accordance with Delaware General Corporation Law, equivalent dividends shall be paid with respect to the shares of Class A and Class B common stock and that both classes of common stock have identical dividend rights and would share equally in the Company's net assets in the event of liquidation, the Company has allocated undistributed losses on a proportionate basis.

Instruments granted in unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities prior to vesting. As such, the Company's RSAs are considered participating securities for purposes of calculating loss per share.

The following tables present the computation of basic net loss per share applicable to common stockholders for the periods ended:

(In Thousands, Except Per Share Amounts)	Three Months Ended September 30,							
	Class A	2025	Class B	Class A	2024	Class B		
Basic net loss per share:								
Numerator:								
Net loss applicable to common stockholders	\$	(108)	\$	(912)	\$	(90)	\$	(741)
Denominator:								
Weighted average number of shares outstanding - basic		4,661		39,247		4,661		38,539
Basic net loss per share applicable to common stockholders	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>

(In Thousands, Except Per Share Amounts)	Nine Months Ended September 30,							
	Class A	2025	Class B	Class A	2024	Class B		
Basic net loss per share:								
Numerator:								
Net loss applicable to common stockholders	\$	(310)	\$	(2,608)	\$	(328)	\$	(2,709)
Denominator:								
Weighted average number of shares outstanding - basic		4,661		39,183		4,661		38,445
Basic net loss per share applicable to common stockholders	\$	<u>(0.07)</u>	\$	<u>(0.07)</u>	\$	<u>(0.07)</u>	\$	<u>(0.07)</u>

The following tables present the computation of diluted net loss per share for the periods ended:

(In Thousands, Except Per Share Amounts)	Three Months Ended September 30,							
	Class A	2025	Class B	Class A	2024	Class B		
Diluted net loss per share:								
Numerator:								
Net loss applicable to common stockholders	\$	(108)	\$	(912)	\$	(90)	\$	(741)
Reallocation of net loss for Class A to Class B shares		—		(108)		—		(90)
Diluted net loss applicable to common stockholders:	\$	(108)	\$	(1,020)	\$	(90)	\$	(831)
Denominator:								
Weighted average number of shares outstanding - basic		4,661		39,247		4,661		38,539
Conversion of Class A to B common shares outstanding		—		4,661		—		4,661
Weighted average number of shares outstanding - diluted		4,661		43,908		4,661		43,200
Diluted net loss per share applicable to common stockholders	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>	\$	<u>(0.02)</u>
Anti-dilutive securities		—		3,716		—		6,316

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(In Thousands, Except Per Share Amounts)	Nine Months Ended September 30,			
	2025		2024	
	Class A	Class B	Class A	Class B
Diluted net loss per share:				
Numerator:				
Net loss applicable to common stockholders	\$ (310)	\$ (2,608)	\$ (328)	\$ (2,709)
Reallocation of net loss for Class A to Class B shares	—	(310)	—	(328)
Diluted net loss applicable to common stockholders:	\$ (310)	\$ (2,918)	\$ (328)	\$ (3,037)
Denominator:				
Weighted average number of shares outstanding - basic	4,661	39,183	4,661	38,445
Conversion of Class A to B common shares outstanding	—	4,661	—	4,661
Weighted average number of shares outstanding - diluted	4,661	43,844	4,661	43,106
Diluted net loss per share applicable to common stockholders	\$ (0.07)	\$ (0.07)	\$ (0.07)	\$ (0.07)
Anti-dilutive securities	—	5,642	—	5,621

Note 8: Property and Equipment

Property and equipment consisted of the following:

(In Thousands)	September 30, 2025	December 31, 2024
Computer and other related equipment	\$ 1,096	\$ 1,198
Purchased software	3,276	3,276
Furniture and fixtures	10	262
Software development costs	574	—
Software development costs - in progress	463	72
Less: accumulated depreciation and amortization	(3,697)	(2,997)
Property and equipment, net	\$ 1,722	\$ 1,811

During the nine months ended September 30, 2025, the Company recorded a loss on disposal of \$25.0 thousand that is included within *Product development* on the Consolidated Statement of Operations. During the three months ended September 30, 2025, the Company also recorded a loss on disposal of \$84.6 thousand, for assets that were located at the office space associated with the operating lease termination described in [Note 9: Leases](#) below, that is included within *Interest income (expense) and other, net* on the Consolidated Statement of Operations.

In accordance with ASC 350-40, *Internal-Use Software*, the Company capitalizes eligible software development costs into *Property and equipment, net* on the Consolidated Balance Sheets. Under ASC 350-40, development costs for applicable projects will begin capitalization once the preliminary project stage is completed, management has committed to fully funding the computer software project, and it is probable that the project will be seen to completion and the software will be used to perform the function intended. Eligible costs for the development of software as a service ("SaaS") products for customer-use are capitalized to the extent they are recoverable by the anticipated net realizable value of the product until it is available to customers.

Depreciation and amortization expense related to property and equipment was as follows:

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Depreciation and amortization expense	\$ 312	\$ 411	\$ 1,025	\$ 1,029

Note 9: Leases

The Company has an operating lease for its corporate office headquarters in Seattle, WA. The Company had an operating lease for office space in Wichita, KS, which was terminated during the second quarter of 2025. The Company recognizes its operating lease agreements in accordance with ASC 842, *Leases*, and recognizes rent expense on a straight-line basis over the lease term with any lease incentives amortized as a reduction of rent expense over the lease term. Assets under operating leases are included in *Right-of-use lease assets*, and the related liabilities are included in *Operating lease liability, current* and *Operating lease liability, non-current* on the Consolidated Balance Sheets.

Assets under a finance lease, which primarily represent computer equipment, are subject to a rental agreement for a third-party's utilization of this equipment; however, we retain our primary obligation under the original financing terms. Therefore, the Company does not have a right-of-use asset related to this financed equipment, but it does carry the lease liability related to it, on the Consolidated Balance Sheets. The present value of the rent receivable from the rental agreement is included in *Other assets, net*, and the related lease liability is included in *Other accrued expenses and current liabilities* on the Consolidated Balance Sheets.

Lease cost recognized in the Consolidated Statements of Operations and other lease information is summarized as follows:

(In Thousands, Except Terms in Years and Percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating lease cost	\$ 95	\$ 144	\$ 366	\$ 431
Finance lease cost:				
Amortization of right-of-use assets	—	—	—	—
Interest on lease liabilities	4	17	23	58
Variable and short-term lease cost	3	5	22	14
Total lease cost	<u>\$ 102</u>	<u>\$ 166</u>	<u>\$ 411</u>	<u>\$ 503</u>
Other information:				
Weighted-average remaining lease term - operating leases	2.2	2.8		
Weighted-average remaining lease term - finance leases	0.2	1.2		
Weighted-average discount rate - operating leases	7.5%	6.9%		
Weighted-average discount rate - finance leases	14.1%	14.1%		
Cash paid for operating leases	\$ 95	\$ 145	\$ 366	\$ 421
Cash paid for finance leases	\$ 115	\$ 115	\$ 344	\$ 344

As of September 30, 2025, the Company's future payments under operating and finance lease liabilities were as follows:

(In Thousands)	Operating Leases		Finance Leases	
2025	\$ 95	\$ 95	\$ 76	\$ 76
2026		397		—
2027		380		—
Gross future lease payments		872		76
Less: imputed interest		(70)		(1)
Present value of total lease liabilities		802		75
Less: current portion of lease liabilities		(342)		(75)
Total long-term lease liabilities	<u>\$</u>	<u>460</u>	<u>\$</u>	<u>—</u>

Note 10: Commitments and Contingencies

Commitments

The Company has commitments for future payments related to its office facility and financed equipment leases, as well as other contractual obligations primarily related to minimum payments due to outside service providers. For information regarding the Company's lease commitments, see [Note 9: Leases](#) above.

Future minimum payments on the Company's other contractual obligations are approximately as follows:

(In Thousands)		
2025	\$	1,025
2026		4,841
2027		1,696
2028		13
2029 and thereafter		—
Total minimum payments	\$	<u>7,575</u>

Contingencies

The Company from time to time is a party to disputes and legal and administrative proceedings arising from the ordinary course of business. We could become in the future subject to legal proceedings, governmental investigations, and claims in the ordinary course of business, including employment claims, contract-related claims, and claims of alleged infringement of third-party patents, trademarks, and other intellectual property rights. Such claims, even if not meritorious, could force us to expend significant financial and managerial resources and could be material.

In certain agreements, the Company has agreed to indemnification provisions of varying scope and terms with customers, vendors and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of agreements or representations and warranties made by the Company, services to be provided by the Company and intellectual property infringement claims made by third parties. As a result of these provisions, the Company may from time to time provide certain levels of financial support to contract parties to seek to minimize the impact of any associated litigation in which they may be involved. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions and no liabilities therefore have been recorded in the accompanying Consolidated Financial Statements. However, the maximum potential amount of the future payments the Company could be required to make under these indemnification provisions could be material.

On October 21, 2022, the Shareholder Representatives for the former shareholders of Telmetrics, Inc. (an entity acquired by the Company in 2018) filed litigation against the Company in the U.S. District Court for the District of Delaware. The plaintiffs are asserting claims under a share purchase agreement and escrow agreement regarding entitlement to an earnout of up to \$3.0 million and \$1.0 million that was placed in escrow to secure indemnification obligations. On March 22, 2023, the plaintiffs filed an amended complaint also seeking substantial punitive damages, followed by a second amended complaint on May 9, 2023. On February 2, 2024, the Magistrate Judge issued a report and recommendation advising the U.S. District Court Judge to dismiss certain claims from the second amended complaint and to allow other claims to proceed to discovery. On July 17, 2024, the U.S. District Court Judge adopted portions of the Magistrate Judge's recommendation. The parties have begun discovery. While we believe we have meritorious defenses to this lawsuit and are vigorously defending against it, litigation is inherently uncertain and we cannot currently predict the ultimate outcome of this matter.

While any litigation contains an element of uncertainty, the Company is not aware of any legal proceedings or claims which are pending that the Company believes, based on current knowledge, will have, individually or taken together, a material adverse effect on the Company's financial condition, results of operations, or liquidity.

Note 11: Taxes

The Company regularly reviews deferred tax assets to assess whether it is more likely than not that its deferred tax assets will be realized and, if necessary, establishes a valuation allowance for portions of such assets to reduce the carrying value. In assessing whether it is more likely than not that the Company's deferred tax assets will be realized, factors considered included: historical taxable income, historical trends related to customer usage rates, projected revenues and expenses, macroeconomic conditions, issues facing the industry, existing contracts, the Company's ability to project future results, and any appreciation of its other assets. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. The Company considered the future reversal of deferred tax liabilities, carryback potential, projected taxable income, and tax planning strategies, as well as its history of taxable income or losses in the relevant jurisdictions in making this assessment. Based on the level of historical taxable losses and the uncertainty of projections for future taxable income over the periods for which the deferred tax assets are deductible, with the exception of certain insignificant foreign deferred tax assets, the Company concluded that it is not more likely than not that the gross deferred tax assets will be realized and, accordingly, recorded 100% valuation allowance against these deferred tax assets as of September 30, 2025 and December 31, 2024.

From time to time, various state, federal and other jurisdictional tax authorities undertake audits of the Company and its filings. In evaluating the exposure associated with various tax filing positions, the Company on occasion accrues charges for uncertain positions. Resolution of uncertain tax positions will impact the Company's effective tax rate when settled. The Company does not have any significant accruals for uncertain tax positions including interest or penalties. The provision for income taxes includes the impact of contingency provisions and changes to contingencies that are considered appropriate. The Company files U.S. federal, certain U.S. state, and certain foreign tax returns. The Company's federal and state returns for all years will remain open to examination by federal and state tax authorities for three and four years, respectively, from the date of utilization of any net operating loss carryforwards.

On July 4, 2025, President Trump signed H.R. 1, the "One Big Beautiful Bill Act," into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. These changes were not material to the income tax provision for the three and nine months ended September 30, 2025.

Note 12: Domain Asset Sale

In April 2025, the Company sold one of its domain assets to a third-party buyer for a total sales price of \$0.8 million, with payments to be made over a four-year period. Each payment that the Company receives from the buyer will be reduced by a 15% commission fee, resulting in total net cash proceeds of approximately \$0.7 million. Approximately \$0.6 million was recognized as a gain within *Interest income (expense) and other, net* on the Consolidated Statement of Operations for the nine months ended September 30, 2025. The remaining amount of approximately \$48.2 thousand will be recognized as interest income over the four-year payment period due to the financing component of the agreement. At September 30, 2025, there was approximately \$0.2 million of the receivable recorded within *Prepaid expenses and other current assets* and \$0.3 million within *Other assets, net* on the Consolidated Balance Sheet.

Note 13: Subsequent Event

Marchex has entered into an Agreement in Principle ("AIP") dated November 13, 2025 to acquire 100% of the stock of Archenia, Inc. (the "Transaction") from its stockholders (the "Sellers") for consideration consisting of a \$10 million convertible promissory note (the "Note"), with interest at 6%, payable in three equal tranches on the 12, 18 and 24 monthly anniversaries of the closing date of the Transaction (the "Closing Date"). Principal and interest under the Note would be convertible in whole or in part into shares of Marchex's Class B common stock at \$1.80 per share (the 30-day average closing price through November 11, 2025).

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A special committee of Marchex's Board of Directors consisting solely of independent directors (the "Special Committee") has approved Marchex entering into the AIP because certain of the Sellers are related parties. The parties have agreed to promptly commence to negotiate a definitive purchase agreement (the "Definitive Agreement") relating to the Transaction. Conditions to entering into the Definitive Agreement include receipt of audited financial statements of Archenia for such periods as required by SEC rules, and receipt of a customary fairness opinion by a financial advisor selected by the Special Committee. Conditions to closing the Transaction shall include approval of the Transaction by a majority of Marchex's disinterested stockholders. The Closing Date, in the event a Definitive Agreement is entered into and the Transaction is approved by disinterested stockholders, is anticipated to occur in the first half of 2026.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We use words such as “believes”, “intends”, “expects”, “anticipates”, “plans”, “may”, “will” and similar expressions to identify forward-looking statements. All forward-looking statements, including, but not limited to, statements regarding our future operating results, financial position, prospects, acquisitions, dispositions, and business strategy, expectations regarding our growth and the growth of the industry in which we operate, and plans and objectives of management for future operations, are inherently uncertain as they are based on our expectations and assumptions concerning future events. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements we make. There are a number of important factors that could cause the actual results of Marchex to differ materially from those indicated by such forward-looking statements. Any or all of our forward-looking statements in this report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They may be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including but not limited to the risks, uncertainties and assumptions described in this report, in Part II, Item 1A. under the caption “Risk Factors” and elsewhere in this report and in our Form 10-K for the year ended December 31, 2024, as amended, and those described from time to time in our future reports filed with the SEC. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur as contemplated and actual results could differ materially from those anticipated or implied by the forward-looking statements. All forward-looking statements in this report are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

Overview

Marchex, Inc. harnesses the power of AI and conversational intelligence to provide actionable insights aligned with prescriptive vertical market data analytics, driving operational excellence and revenue acceleration. Marchex enables executive, sales, and marketing teams to optimize customer journey experiences across all communications channels. Through our prescriptive analytics solutions, we enable the alignment of enterprise strategy, empowering businesses to increase revenue through informed decision-making and strategic execution. Marchex provides conversational intelligence AI-powered solutions for market-leading companies in leading B2B2C vertical markets, including several of the world’s most innovative and successful brands.

Our mission is to create intelligence around all types of business conversations. We desire to be a leader in vertical market conversational intelligence leveraging generative AI and data analytics. We seek to empower performance improvements for our customers by giving them actionable, real-time insights into the conversations they are having with their customers across phone, text, and other communication channels. We have assembled a set of applications that incorporate AI functionality for enterprises that depend on phone calls, texts, and other communication channels to help convert prospects into customers, enabling compelling customer experiences during the sales process and helping maximize returns. Our proprietary data and conversational insights help enable brands to personalize customer interactions in order to accelerate sales and capture more opportunities to grow their business. We serve large enterprises with a distributed footprint that interact with their customers across multiple communication paths.

We were incorporated in Delaware on January 17, 2003. We have office space in Seattle, WA.

Components of the Results of our Operations

Revenue

We generate the majority of our revenues from our conversational intelligence product offerings. Our AI-powered conversational analytics technology platform provides data and insights into the conversations our clients are having with their customers across phone, text, and other communication channels. Our tools enable brands to personalize customer interactions in order to accelerate sales and capture more opportunities to grow their business. We generate revenue when our customers pay us a fee for each call/text or call/text related data element they receive from calls or texts or for each phone number tracked based on a pre-negotiated rate. Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time as services are performed.

Collection on the related receivables may vary from reported information based upon third-party refinement of the estimated and reported amounts owed that occurs subsequent to period ends.

Cost of Revenue

Our cost of revenue represents the cost of providing our services to our customers. These costs primarily consist of telecommunication costs, including the use of phone numbers relating to our services; bandwidth and software license fees; network operations; and payroll and related expenses of personnel, including stock-based compensation.

Sales and Marketing

Sales and marketing expenses consist primarily of payroll and related expenses for personnel engaged in marketing and sales functions; advertising and promotional expenditures including online and outside marketing activities; and stock-based compensation of related personnel.

Product Development

Product development costs consist primarily of expenses incurred in the research and development, and creation and enhancement, of our products and services. These costs primarily consist of payroll and related expenses for personnel; costs of computer hardware and software; costs incurred in developing features and functionality of the services we offer; and stock-based compensation of related personnel.

For the periods presented, substantially all of our product development expenses are research and development. Product development costs are expensed as incurred or capitalized into property and equipment in accordance with U.S. GAAP.

General and Administrative

General and administrative expenses consist primarily of payroll and related expenses for executive and administrative personnel; professional services, including accounting, legal and insurance; bad debt provisions; facilities costs; other general corporate expenses; and stock-based compensation of related personnel.

Stock-Based Compensation

We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. We account for forfeitures as they occur. Stock-based compensation expense is included in the same lines as compensation paid to the same employees in the Consolidated Statements of Operations.

Amortization of Intangibles from Acquisitions

Amortization of intangible assets excluding goodwill relates to intangible assets identified in connection with our acquisitions. The intangible assets have been identified as customer relationships; acquired technology; non-competition agreements; and trade names. These assets have been fully amortized since December 31, 2024.

Provision for Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in results of operations in the period that includes the enactment date.

Results of Operations

The following tables present revenue and certain of our operating results as a percentage of revenue:

(In Thousands, Except Percentages)	Three Months Ended September 30, 2025	% of revenue	Three Months Ended September 30, 2024	% of revenue
Revenue	\$ 11,514	100%	\$ 12,553	100%
Expenses:				
Cost of revenue	4,217	37%	4,224	34%
Cost of revenue - amortization of capitalized software development costs	29	0%	—	0%
Total cost of revenue	4,246	37%	4,224	34%
Sales and marketing	2,906	25%	3,224	26%
Product development	2,370	21%	3,106	25%
General and administrative	2,933	25%	2,673	21%
Amortization of intangible assets from acquisitions	—	0%	151	1%
Total operating expenses	12,455	108%	13,378	107%
Loss from operations	<u>\$ (941)</u>	<u>-8%</u>	<u>\$ (825)</u>	<u>-7%</u>

(In Thousands, Except Percentages)	Nine Months Ended September 30, 2025	% of revenue	Nine Months Ended September 30, 2024	% of revenue
Revenue	\$ 34,572	100%	\$ 36,200	100%
Expenses:				
Cost of revenue	12,463	36%	12,790	35%
Cost of revenue - amortization of capitalized software development costs	39	0%	—	0%
Total cost of revenue	12,502	36%	12,790	35%
Sales and marketing	9,337	27%	8,753	24%
Product development	7,542	22%	9,573	26%
General and administrative	8,537	25%	7,492	21%
Amortization of intangible assets from acquisitions	—	0%	452	1%
Total operating expenses	37,918	110%	39,060	108%
Loss from operations	<u>\$ (3,346)</u>	<u>-10%</u>	<u>\$ (2,860)</u>	<u>-8%</u>

Stock-based compensation expense was included in the operating expense categories as follows:

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Cost of revenue	\$ 4	\$ 8	\$ 8	\$ 14
Sales and marketing	100	41	297	217
Product development	70	13	175	35
General and administrative	746	349	1,451	1,015
Total stock-based compensation	<u>\$ 920</u>	<u>\$ 411</u>	<u>\$ 1,931</u>	<u>\$ 1,281</u>

See [Note 6: Stockholders' Equity](#) of the Notes to the Consolidated Financial Statements, as well as our Critical Accounting Policies for additional information about stock-based compensation.

Revenue

Revenue decreased \$1.1 million, or 9%, to \$11.5 million for the three months ended September 30, 2025 from \$12.6 million for the three months ended September 30, 2024. Revenue decreased \$1.6 million, or 4%, to \$34.6 million for the nine months ended September 30, 2025 from \$36.2 million for the nine months ended September 30, 2024. The three and nine month comparative periods were impacted from lower call volumes in the 2025 period compared to the 2024 period, customer corporate development activities, which consolidated customer contracts, customer migration revenue dilution, and impacts of the current uncertain macroeconomic environment (including new federal tariffs), resulting in decreased revenues.

Expenses

Cost of Revenue. Cost of revenue was \$4.2 million for both the three months ended September 30, 2025 and September 30, 2024. As a percentage of revenue, cost of revenue was 37% and 33% for the three months ended September 30, 2025 and 2024, respectively.

Cost of revenue decreased \$0.3 million, or 2%, to \$12.5 million for the nine months ended September 30, 2025 from \$12.8 million for the nine months ended September 30, 2024. As a percentage of revenue, cost of revenue was 36% and 35% for the nine months ended September 30, 2025 and 2024, respectively. The change from the prior year was primarily attributable to a decrease in costs from investment in cloud infrastructure and platform integration, and personnel and outside labor costs of \$0.3 million, as we reorganized and realigned our personnel in 2025.

Sales and Marketing. Sales and marketing expenses decreased \$0.3 million, or 9%, to \$2.9 million for the three months ended September 30, 2025 from \$3.2 million for the three months ended September 30, 2024. As a percentage of revenue, sales and marketing expenses were 25% for both the three months ended September 30, 2025 and 2024. The change from prior year was primarily attributable to a decrease in payroll and benefit related charges of \$0.3 million, partially offset by an increase in contract asset amortization charges of \$0.1 million.

Sales and marketing expenses increased \$0.5 million, or 6%, to \$9.3 million for the nine months ended September 30, 2025 from \$8.8 million for the nine months ended September 30, 2024. As a percentage of revenue, sales and marketing expenses were 27% and 24% for the nine months ended September 30, 2025 and 2024, respectively. The change from prior year was primarily attributable to an increase contract asset amortization charges of \$0.5 million.

Product Development. Product development expenses decreased \$0.7 million, or 23%, to \$2.4 million for the three months ended September 30, 2025 from \$3.1 million for the three months ended September 30, 2024. As a percentage of revenue, product development expenses were 21% and 25% for the three months ended September 30, 2025 and 2024, respectively. The change from the prior year was primarily attributable to \$0.7 million in lower personnel and outside labor costs due to the capitalization of software development costs in 2025 and the reorganization and realignment of our personnel in 2025.

Product development expenses decreased \$2.1 million, or 22%, to \$7.5 million for the nine months ended September 30, 2025 from \$9.6 million for the nine months ended September 30, 2024. As a percentage of revenue, product development expenses were 22% and 27% for the nine months ended September 30, 2025 and 2024, respectively. The change from the prior year was primarily attributable to \$1.5 million in lower personnel and outside labor costs due to the reorganization and realignment of our personnel in 2025 and the capitalization of software development costs in 2025. Additionally, there were approximately \$0.4 million less in cloud infrastructure costs in 2025 due to the completion of the certain One Stack development activities in 2024 which resulted in those costs being incorporated in cost of revenue upon completion of the development activities.

General and Administrative. General and administrative expenses increased \$0.2 million, or 7%, to \$2.9 million for the three months ended September 30, 2025 from \$2.7 million for the nine months ended September 30, 2024. As a percentage of revenue, general and administrative expenses were 25% and 21% for the three months ended September 30, 2025 and 2024, respectively. The change from prior year was primarily attributable to an increase in personnel costs and share-based compensation, which largely consist of one-time reorganization charges incurred during 2025.

General and administrative expenses increased \$1.0 million, or 13%, to \$8.5 million for the nine months ended September 30, 2025 from \$7.5 million for the nine months ended September 30, 2024. As a percentage of revenue, general and administrative expenses were 25% and 21% for the nine months ended September 30, 2025 and 2024, respectively. The change from prior year was primarily attributable to an increase in personnel costs and share-based compensation costs, which largely consist of one-time reorganization charges as we reorganized and realigned our personnel throughout 2025 as well as timing of professional services costs.

Amortization of Intangible Assets from Acquisitions. Intangible amortization expense was \$0 and \$0.2 million for the three months ended September 30, 2025 and 2024, respectively, and \$0 and \$0.5 million for the nine months ended September 30, 2025 and 2024, respectively. During 2024, the intangible assets acquired from acquisitions all reached the end of their useful lives and consequently there is no amortization expense in 2025.

Income Tax. Income tax expense was \$27.0 thousand and \$25.0 thousand for the three months ended September 30, 2025 and 2024, respectively. Income tax expense was \$0.1 million for both the nine months ended September 30, 2025 and 2024. The income tax expense consists primarily of deferred tax expense and U.S. state income taxes. The effective tax rate differed from the expected tax rate of 21% in both years primarily due to the valuation allowance and, non-deductible stock-based compensation related to incentive stock options recorded under the fair-value method, and other non-deductible amounts.

At both September 30, 2025 and December 31, 2024, based on all the available evidence, both positive and negative, we determined that it is more likely than not that our deferred tax assets will not be realized and accordingly recorded a full valuation allowance.

Liquidity and Capital Resources

As of September 30, 2025 and December 31, 2024, we had cash and cash equivalents of \$10.3 million and \$12.8 million, respectively. As of September 30, 2025, we had current and non-current contractual obligations of \$8.5 million, of which \$0.9 million is for payments due under our facility and financed equipment leases.

Cash used in operating activities was \$1.5 million during the nine months ended September 30, 2025. The cash used in operating activities was primarily a result of a net loss of \$2.9 million, adjusted for an increase in cash due to non-cash items of \$3.4 million, which primarily included depreciation, amortization, and stock-based compensation, partially offset by a decrease in cash due to changes in working capital of \$2.1 million. The change in working capital was driven primarily by a decrease in accrued benefits and payroll, other accrued expenses, and other current liabilities and a decrease in deferred revenue and deposits, partially offset by an increase in accounts payable. Cash used in operating activities was \$2.0 million for the nine months ended September 30, 2024. The cash used in operating activities was primarily a result of a net loss of \$3.0 million adjusted for an increase in cash due to non-cash items of \$3.0 million, which primarily included depreciation, amortization, and stock-based compensation, offset by a decrease in cash due to changes in working capital of \$2.0 million, which primarily included a decrease in accrued benefits and payroll, other accrued expenses, and other current liabilities and accounts payable.

Cash used in investing activities for the nine months ended September 30, 2025 and 2024, was \$0.9 million and \$0.3 million, respectively. During the nine months ended September 30, 2025 the cash used in investing activities was primarily attributable to software development costs for new products in development and launched in 2025. During the nine months ended September 30, 2024, the cash used in investing activities was attributable to purchases of property and equipment.

Cash used in financing activities for the nine months ended September 30, 2025 and 2024 was \$25.0 thousand and \$0.3 million, respectively. During the nine months ended September 30, 2025, the cash used in financing activities consisted of payments made for equipment financing lease obligations, partially offset by cash received from the exercise of stock options. During the nine months ended September 30, 2024, the cash used in financing activities was attributable to payments made for equipment financing lease obligations.

Based on our operating plans we believe that our resources will be sufficient to fund our operations, including any investments in strategic initiatives, for at least twelve months, however macroeconomic factors could influence our operating plans and resources significantly. Additional equity and debt financing may be needed to support our acquisition strategy, our long-term obligations, and our Company's needs. There can be no assurance that, if we needed additional funds, financing arrangements would be available in amounts or on terms acceptable to us, if at all. Failure to generate sufficient revenue or raise additional capital could have a material adverse effect on our ability to continue as a going concern and to achieve our intended business objectives.

Critical Accounting Policies

Our Consolidated Financial Statements have been prepared in conformity with U.S. GAAP. Our critical accounting policies are those that we believe have the most significant impact to reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent assets and liabilities that require the most difficult, subjective, or complex judgments.

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of our results. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies and estimates during the three and nine months ended September 30, 2025, as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K for the year ended December 31, 2024, filed with the SEC on March 14, 2025.

Recent Accounting Pronouncements Not Yet Effective

For discussion regarding recent accounting pronouncements not yet effective, see [Note 1: Description of Business and Basis of Presentation](#) of the Notes to our Consolidated Financial Statements.

Website

Our website, www.marchex.com, provides access, without charge, to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such materials are electronically filed with the SEC. To view these filings, please go to our website and under the "Company" tab click on "Investor Relations" and then click on "Financial Information." Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings, public conference calls, and webcasts. We also use the following social media channels as a means of disclosing information about us, our services, and other matters, and for complying with our disclosure obligations under Regulation Fair Disclosure:

- Marchex X Account (www.x.com/marchex)
- Marchex Company Blog (www.marchex.com/blog/)
- Marchex LinkedIn Account (www.linkedin.com/company/marchex)

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor the above accounts and blog, in addition to following our investor relations website, press releases, SEC filings, and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company under SEC Regulations, we are not required to provide this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our co-principal executive officers and our principal financial officer, of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, our co-principal executive officers and our principal financial officer have concluded that, as of the date of the evaluation, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the three and nine months ended September 30, 2025, no changes were made to our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives.

In addition, because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See [Note 10: Commitments and Contingencies](#) of the Notes to our Consolidated Financial Statements.

Item 1A. Risk Factors

An investment in our Class B common stock involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding our stock. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. All of these risks could have a material adverse effect on our business, financial condition, results of operations, and the value of our stock.

FINANCIAL RISKS

We have largely incurred net losses since our inception, and we may incur net losses in the foreseeable future.

We had an accumulated deficit of \$329.1 million as of September 30, 2025. Our net expenses may increase based on the initiatives we undertake which for instance, may include increasing our sales and marketing activities, hiring additional personnel, incurring additional costs as a result of being a public company, acquiring additional businesses, and making additional equity grants to our employees. This may result in the reduction of our cash balances or the incurrence of debt.

We have in the past and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce, or discontinuing certain products or businesses. Such measures may place significant strains on our management and employees, and could impair our development, marketing, sales, and customer support efforts. We may also incur liabilities from these measures. Such effects from streamlining could have a negative impact on our business and financial results.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new customers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

We received approximately 35% of our revenue from our five largest customers for both the three and nine months ended September 30, 2025, and the loss of one or more of these customers could adversely impact our results of operations and financial condition.

Our five largest customers accounted for approximately 35% of our total revenues for both the three and nine months ended September 30, 2025. In particular, our customers in the automotive and related services sectors account for a significant portion of our revenue.

Many of our customers are not subject to long-term contracts with us or have contracts with near term expiration dates and are able to reduce or in some cases cease spending at any time and for any reason. We have agreements with certain large customers which provide flexibility around financial commitments, termination rights, indemnification, and security obligations. Our large customers may vary spend levels and there can be no assurances that our large customers will continue to spend at levels similar to prior quarters. If any of our largest customers are acquired, such acquisition may impact its spending with us. Furthermore, our large customers from time to time may impose financial condition, data security and privacy, or insurance requirements that we may not be able to satisfy. A significant reduction in spending by our largest customers, or the loss of one or more of these customers, if not replaced by new customers or an increase in business from existing customers, would have a material adverse effect on our business, financial condition, and results of operations.

Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that may have an adverse effect on our business.

Our large customers have substantial purchasing power and leverage in negotiating contractual arrangements with us. These customers may seek for us to develop additional features, may require penalties for failure to deliver such features, may seek discounted product or service pricing, and may seek more favorable contractual terms. As we sell more products and services to this class of customer, we may be required to agree to such terms and conditions. Such large customers also have substantial leverage in negotiating resolution of any disagreements or disputes that may arise. Any of the foregoing factors could result in a material adverse effect on our business, financial condition, and results of operations.

If some of our customers experience financial distress or suffer disruptions in their business, their weakened financial position could negatively affect our financial position and results.

We have a diverse customer base, and, at any given time, one or more customers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business. If a customer with whom we do a substantial amount of business experiences financial difficulty or suffers disruptions in their business, it could delay or jeopardize the collection of accounts receivable, result in significant reductions in services provided by us, and may have a material adverse effect on our results of operations and liquidity.

We may need additional funding to meet our obligations and to pursue our business strategy. Additional funding may not be available to us and our financial condition could therefore be adversely affected.

We may require additional funding to meet our ongoing obligations and to pursue our business strategy, which may include the selective acquisition of businesses and technologies. In addition, we have incurred, and we may incur certain obligations in the future. There can be no assurance that, if we were to need additional funds to meet these obligations, additional financing arrangements would be available in amounts or on terms acceptable to us, if at all. Furthermore, if adequate additional funds are not available, we will be required to delay, reduce the scope of, or eliminate material parts of the implementation of our business strategy, including potential additional acquisitions or internally developed businesses.

Our quarterly results of operations might fluctuate due to seasonality, which could adversely affect our growth rate and in turn the market price of our securities.

Our quarterly results have fluctuated in the past and may fluctuate in the future due to seasonality. Our experience has shown that during the spring and summer months, call volumes in certain verticals, such as home services are generally higher than during other times of the year and during the latter part of the fourth quarter of the calendar year, we generally experience lower call volumes. The extent to which call volumes may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in call volumes during these periods may adversely affect our growth rate and results, and in turn, the market price of our securities. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased call volumes and often new budgets at the beginning of the year for many of our customers with fiscal years ending December 31. However, there can be no assurances such seasonal trends will consistently repeat each year.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud, which could harm our brand and operating results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We have devoted significant resources and time to comply with the internal controls over financial reporting requirements of the Sarbanes-Oxley ("SOX") Act of 2002. In addition, SOX Section 404 requires that we assess and in certain instances for our auditors to attest to the effectiveness of our controls over financial reporting. Our current and future compliance with the annual internal control report requirements will depend on the effectiveness of our financial reporting and data systems and controls across our operating subsidiaries. We expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. To effectively manage this growth, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures. We cannot be certain that these measures will ensure that we design, implement, and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their

implementation or operation, could harm our operating results, or cause us to fail to meet our financial reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

We may be required to pay additional income, sales, or other taxes.

Tax authorities at the international, federal, state, and local levels are continually reviewing the appropriate treatment of companies engaged in digital information services. Furthermore, from time to time, various state, federal, and other jurisdictional tax authorities undertake reviews of us and our filings. In evaluating the exposure associated with various tax filing positions, we may on occasion accrue charges for probable exposures. We cannot predict the outcome of any of these reviews nor whether any will have a material adverse impact on our business.

STRATEGIC RISKS

The markets in which we operate are highly competitive and rapidly changing and we may be unable to compete successfully.

There are a number of companies that offer or may develop products that compete in our targeted markets. We compete with call analytics technology providers such as Twilio and Invoca, as well as messaging platform providers such as EZ Texting. As we continue to advance our conversational analytics and related technologies, we anticipate facing increased competition from companies providing broader a broader range of products and solutions, such as Google (which offers Google Ads call tracking). The markets for our products and services are characterized by intense competition, evolving industry and regulatory standards, emerging business and distribution models, disruptive software and hardware technology developments, short product and service life cycles, price sensitivity on the part of customers, and frequent new product introductions. While we are developing and deploying features powered by AI across our conversational analytics offerings, competitors may develop comparable or superior AI-powered features before we do, which could adversely affect our business. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of our prospective customers. Furthermore, there has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions.

The competition in our targeted markets could adversely affect our operating results by reducing the volume of the products and services we license or sell or the prices we can charge. Some of our current or potential competitors have significantly greater financial, technical, and marketing resources than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion, and sale of their products than we do. To the extent they do so, market acceptance and penetration of our products and services, and therefore our revenues, may be adversely affected. Our success and long-term growth depends substantially upon our ability to enhance our products and services and to develop and introduce, on a timely and cost-effective basis, new products and services that meet changing customer requirements and incorporate technological enhancements. If we are unable to develop or acquire new products, services, functionalities, or technologies to adapt to these changes or otherwise fail to maintain a technological edge, our business will suffer.

The conversational analytics and solutions market may develop more slowly than expected, which could harm our business.

If the market for conversational analytics solutions develops more slowly than we expect, our business could suffer. Our future success is highly dependent on the increased adoption by businesses of conversational analytics and solutions, and our ability to sell our conversational analytics and solutions services to large to small customers in different verticals as well as to reseller partners and agencies. The advertising and sales market is rapidly evolving, and most businesses have historically not utilized nor allocated a portion of their marketing and/or sales budgets to conversational analytics and solutions. As a result, the future demand and market acceptance for conversational analytics and related services is uncertain.

Our business strategy is evolving and may involve pursuing new lines of business or strategic transactions and investments, some of which may not be successful.

Our industry is undergoing significant change and our business strategy is continuing to evolve to meet these changes. In order to profitably grow our business, we may need to expand into new lines of business beyond our current focus of providing call and text analytics services, which may involve pursuing strategic transactions, including potential acquisitions of, or investments in, related or unrelated businesses. In addition, we may seek divestitures of existing businesses or assets and may pursue other strategic alternatives and opportunities. There can be no assurance that we will be successful with our efforts to evolve our business strategy and we could suffer significant losses as a result, which could have a material adverse effect on our business, financial condition, and results of operations.

Our acquisitions could divert management’s attention, cause ownership dilution to our stockholders, cause our earnings to decrease, and be difficult to integrate.

Our business strategy includes identifying, structuring, completing, and integrating acquisitions. Acquisitions involve a high degree of risk. We may also be unable to find a sufficient number of attractive opportunities to meet our objectives, which include revenue growth, profitability, and competitive market share. Our acquired companies may have histories of net losses and may expect net losses for the foreseeable future.

Acquisitions are accompanied by a number of risks that could harm our business, operating results and financial condition: we could experience a substantial strain on our resources, including time and money, and we may not be successful; our management’s attention could be diverted from our ongoing business concerns; we may seek to enter new markets where we have no or limited experience or where competitors may have stronger market positions; integrating new companies may take longer than expected; while integrating new companies, we may lose key executives or other employees of these companies; we may issue shares of our Class B common stock as consideration for acquisitions which may result in ownership dilution to our stockholders; acquisitions of certain companies may result in us pursuing a diversified operating or holding company structure to allow us to focus on running diverse businesses independently, but in such event we may not realize the anticipated strategic benefits; we could fail to successfully integrate our financial and management controls, technology, reporting systems and procedures, or adequately expand, train and manage our workforce; we could experience customer dissatisfaction or performance problems with an acquired company or technology; we could become subject to unknown or underestimated liabilities of an acquired entity or incur unexpected expenses or losses from such acquisitions, including litigation; we could incur possible impairment charges related to goodwill or other intangible assets resulting from acquisitions or other unanticipated events or circumstances, any of which could harm our business; and we may be exposed to investigations and/or audits by federal, state, or other taxing authorities.

Consequently, we might not be successful in integrating any acquired businesses, products, or technologies, and might not achieve anticipated revenue and cost benefits.

We may decide to dispose of assets or a business that may no longer help us meet our objectives.

If we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are less desirable than we had anticipated. In addition, we may experience greater disruption to our remaining business than expected, and the impact of the divestiture on our revenue may be larger than projected.

OPERATIONAL RISKS

We depend on being able to secure enough phone numbers and associated telecommunication services to support our customers and other users of our services and any obstacles that we face which prevent us from meeting this demand could adversely affect our business.

We utilize phone numbers as part of a number of information and analytic services to our customers, such as our call and text analytics and communications. We secure a majority of our phone numbers through telecommunication carriers that we have contracted with and a smaller number through the 800 Service Management System, and such telecommunication carriers provide the underlying telephone service. Our

telecommunications carriers and telephone number acquisition process are subject to the rules and guidelines established by the Federal Communications Commission ("FCC"). Furthermore, we may be directly subject to certain telecommunications-related regulations. The FCC and our telecommunication carriers may change the rules and guidelines for securing phone numbers or change the requirements for retaining the phone numbers we have already secured. As a result, we may not be able to secure or retain sufficient phone numbers needed for our services. We may also be limited in the number of available telecommunications carriers or vendors to provide such phone numbers and associated services to us in the event of any industry consolidations. In addition, mobile carriers in the United States and Canada have added, or are currently contemplating adding significant one-time and recurring registration requirements, including "10DLC" brand registration, and/or use limitations (e.g. messaging volume caps) for each phone number, and have imposed or are considering imposing significant additional fees as well as penalties for failure to register or certain use violations for registered numbers. Moreover, mobile carriers and our telecommunication service providers use various automated screening technologies on messaging content crossing their networks, which operate based on disparate and sometimes unpredictable sets of standards and restrictions. The application of such screening technologies to content transmitted by our customers through their use of our services may negatively impact our ability to provide services to certain customers deemed potentially problematic by carriers, subject us to financial penalties, and/or result in telecommunication service providers refusing to provide service to us. Any of the foregoing factors could result in a material adverse effect on our business, financial condition, and results of operations.

Our technical systems are vulnerable to interruption and damage that may be costly and time-consuming to resolve and may harm our business and reputation.

A disaster could interrupt our services for an indeterminate length of time and severely damage our business, prospects, financial condition, and results of operations. Our systems and operations are vulnerable to damage or interruption from: fire; floods; network failure; hardware failure; software failure; power loss; telecommunications failures; break-ins; terrorism, war or sabotage; computer viruses; denial of service attacks; penetration of our network by unauthorized computer users and "hackers" and other similar events; natural disasters, including, but not limited to, hurricanes, tornadoes, and earthquakes; and other unanticipated problems.

We may not have developed or implemented adequate protections or safeguards to overcome any of these events. We also may not have anticipated or addressed many of the potential events that could threaten or undermine our technology network. Any of these occurrences could cause material interruptions or delays in our business, result in the loss of data or render us unable to provide services to our customers. In addition, if a person is able to circumvent our security measures, they could destroy or misappropriate valuable information, including sensitive customer information, or disrupt our operations. We have deployed firewall technology intended to thwart hacker attacks. Although we maintain property insurance and business interruption insurance, our insurance may not be adequate to compensate us for all losses that may occur as a result of a catastrophic system failure or other loss, and our insurers may not be able to compensate us for all losses that may occur or may decline to do so for a variety of reasons. If we fail to address these issues in a timely manner, we may lose the confidence of our customers and reseller partners, our revenue may decline, and our business could suffer.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent cybersecurity incidents as further detailed in the Item 1C disclosure below, our information systems, and those of third parties that we use in our operations are vulnerable to cybersecurity threats, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, ransomware attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering, which could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of customer confidence. In addition, we may be the target of email scams that attempt to acquire personal information or Company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber-attack that attempts to obtain our or our users' data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services, and adversely affect our operating results and financial condition.

A failure of service by one or more third-party provider(s) of technology, telecommunication or other communication services, software or hardware that we rely on could adversely affect our business and reputation.

We rely upon third-party cloud providers to host our products and services. We may experience interruptions, delays and outages in service and availability from time to time as a result of problems with our third-party cloud providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security breaches that we cannot predict or prevent. In addition, if our security, or that of any of these third-party cloud providers, is compromised, or our products and services are rendered unavailable to our customers and cannot be restored within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected.

We also rely on a select group of third-party providers for various components of our technology platform and support for our services, such as hardware and software providers, telecommunications carriers and Voice over Internet Protocol ("VoIP") providers, software-as-a-service providers, and credit card processors. As a result, key operational resources of our business are concentrated with a limited number of third-party providers. A failure or limitation of service or available capacity by any of these third-party providers could adversely affect our business and reputation. In addition, our software-as-a service providers are themselves reliant on third-party cloud providers described in the preceding paragraph such that a disruption of the availability of the underlying infrastructure may also impair their ability to maintain the availability of their services that we rely on. Furthermore, if any of these providers described in this paragraph are unable to provide the levels of service and dedicated resources over time that we require in our business, we may not be able to replace certain of these providers in a manner that is efficient, cost-effective or satisfactory to our customers, and as a result our business could be materially and adversely affected. Short term or repeat problems with any of these service providers could provide an interruption of service or service quality impairment to significant customers, which could also impact materially our revenue in any period due to credits or potential loss of significant customers.

If our security measures, including those of our vendors or partners, are breached or are perceived as not being secure, we may lose customers and incur significant legal and financial exposure and suffer an adverse effect on our business.

We store and transmit data and information about our customers and their respective users. We also work with vendors and partners who may come into contact with certain data, such as carriers, and data processing and storage providers. We deploy security measures to protect this data and information, as do the third parties we utilize to assist in data and information processing and storage. Our security measures and those of the third parties we partner with to assist in data and information processing and/or storage, as well as to assist in the delivery of services to our customers, may suffer breaches. Security breaches of our data storage systems or our technology providers, we utilize to process and store data and information relating to our customers and their respective users, could expose us to significant potential liability. Similarly, security breaches of our vendors and partners, or ineffective data security by our vendors or partners, may result in similar significant liability. In addition, security breaches, actual or perceived, could result in legal liability, government fines, and the loss of customers that could potentially have an adverse effect on our business. Although we maintain cyber-liability insurance, our coverage may not be adequate to compensate us for all costs and liabilities that we may incur as a result of a security breach, and our insurers may not be able to compensate us for all losses that may occur or may decline to do so for a variety of reasons.

LEGAL AND COMPLIANCE RISKS

We may not be able to protect our intellectual property rights, which could adversely affect our competitive position.

Our ability to compete across our businesses partly depends on the superiority, uniqueness and value of the technology that we develop. To protect our proprietary rights, we rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with our employees and third parties, and protective contractual provisions. These efforts to protect our intellectual property rights may not be effective in preventing misappropriation of our technology, or may not prevent the development and design by others of products or technologies similar to or competitive with those we develop.

We maintain a number of patents in the U.S. and other jurisdictions relating to various aspects of our technology. In addition to our patent portfolio, we have assembled, over time, an international portfolio of trademarks that covers certain of our products and services. We regularly analyze our patent and trademark portfolios and prepare additional patent applications on current and anticipated features of our technology and trademark applications for new product and service names, or abandon patents, trademarks or applications that are no longer relevant or valuable to our operations.

The status of any patent involves complex legal and factual questions. The scope of allowable claims is often uncertain. As a result, we cannot be sure that: (1) any patent application filed by us will result in a patent being issued; (2) that any patents issued in the future will afford adequate protection against competitors with similar technology; and (3) that the patents issued to us, if any, will not be infringed upon or designed around by others.

Despite our efforts to protect our technology and proprietary rights through intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology.

In addition, we may in the future expand internationally, and effective intellectual property, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the internet, communications and technology industries may own large numbers of patents, copyrights and trademarks and may frequently threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights, which may adversely affect our business or financial prospects.

We may incur liabilities for the activities of our customers and other users of our services, which could adversely affect our business.

The actual or perceived improper sending of text messages or voice calls may subject us to potential risks, including liabilities or claims relating to consumer protection laws and regulatory enforcement, including fines. For example, the Telephone Consumer Protection Act of 1991 ("TCPA") restricts telemarketing and the sending of automatic text messages without explicit customer consent. The scope and interpretation of the federal and state laws and regulations that are or may be applicable to the delivery of text messages or voice calls are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. We rely on contractual representations made to us by our customers that they will comply with our acceptable use restrictions and applicable law and regulations in using our services. We cannot predict whether our role in facilitating our customers' or other users' activities would expose us to liability under applicable law.

Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims. If we are found liable for our customers' or other users' activities, we could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability, which could have a material adverse effect on our business, financial condition and results of operations.

Our insurance policies may not provide coverage for liability arising out of activities of our customers or other users of our services. In addition, we may not be able to obtain or maintain adequate insurance coverage to reduce or limit the liabilities associated with our businesses. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, operating results, and financial condition.

We may be subject to intellectual property claims, which could adversely affect our financial condition and ability to use certain critical technologies, divert our resources and management attention from our business operations and create uncertainty about ownership of technology essential to our business.

Our success depends, in part, on our ability to operate without infringing on the intellectual property rights of others. There can be no guarantee that any of our intellectual property will not be challenged by third parties. We may be subject to patent infringement claims that would be costly to defend and could limit our ability to use certain critical technologies.

We believe that a consolidation of patent portfolios by major technology companies and independent asset holding companies will increase the chances of aggressive assertions of patent and other intellectual property claims. Within the technology, telecommunications, and online sectors, among other related sectors, we have witnessed various claim holders and alleged rights holders pursue business strategies devoted to extracting settlements or license fees for a wide range of basic and commonly accepted methods and practices.

We may be subject to those intellectual property claims in the ordinary course of our business. Also, our partners and customers may also find that they are subject to similar claims, in which case we may be included in any related process or dispute settlement. Any patent or other intellectual property litigation could negatively impact our business by diverting resources and management attention from other aspects of the business and adding uncertainty as to the ownership of technology, services and property that we view as proprietary and essential to our business. In addition, a successful claim of patent infringement against us and our failure or inability to license the infringed or similar technology on reasonable terms, or at all, could prevent us from using critical technologies which could have a material adverse effect on our business.

Federal, state, and foreign regulation of telecommunications and data privacy may adversely affect our business and operating results.

We provide information and analytics services to our customers and reseller partners. In connection therewith, we obtain certain telecommunications products and services from carriers in order to deliver these packages of information and analytic services.

Telecommunications laws and regulations (and interpretations thereof) are evolving in response to rapid changes in the telecommunications industry. If our carrier providers were to be subject to any changes in applicable law or regulation (or interpretations thereof), or additional taxes or surcharges, then we in turn may be subject to increased costs for their products and services or receive products and services that may be of less value to our customers, which in turn could adversely affect our business and operating results. Furthermore, our call recording and/or monitoring services may directly subject us to certain telecommunications-related laws and regulations. Finally, in the event that any federal or state regulators were to expand the scope of applicable laws and regulations or their application to include certain end users and information service providers, then our business and operating results could also be adversely affected. The following existing and possible future federal and state laws could impact the growth and profitability of our business:

- The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (“TA”), and the regulations promulgated by the FCC under Title II of the TA, may impose federal licensing, reporting and other regulatory obligations on the Company. To the extent we contract with and use the networks of VoIP service providers, new legislation or FCC regulation in this area could restrict our business, prevent us from offering service or increase our cost of doing business. There are an increasing number of regulations and rulings that specifically address access to commerce and communications services on the Internet, including internet protocol (“IP”) telephony. We are unable to predict the impact, if any, that future legislation, legal decisions, or regulations concerning voice services offered via the Internet may have on our business, financial condition, and results of operations.
- The U.S. Congress, the FCC, state legislatures or state agencies may target, among other things, access or settlement charges, imposing taxes related to Internet communications, imposing tariffs or other regulations based on encryption concerns, or the characteristics and quality of products and services that we may offer. Any new laws or regulations concerning these, or other areas of our business could restrict our growth or increase our cost of doing business.
- There is risk that a regulatory agency will require us to conform to rules that are unsuitable for IP communications technologies or rules that cannot be complied with due to the nature and efficiencies of IP routing, or are unnecessary or unreasonable in light of the manner in which we offer voice-related services such as call recording services to our customers.

- Federal and state telemarketing laws including the TCPA, which limits the use of autodialing systems, artificial or prerecorded voice messages, text messages and fax machines, the Telemarketing Sales Rule, the Telemarketing Consumer Fraud and Abuse Prevention Act, and the rules and regulations promulgated thereunder. In recent years, the TCPA has become a fertile source for both individual and class action lawsuits and regulatory actions. Specifically, the TCPA restricts telemarketing and the transmission of automatic text messages without proper consent. The scope and interpretation of the laws and regulations that are or may be applicable to the delivery of text messages and/or to the allowable methods of obtaining proper consent are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face liability. In addition, certain regulatory developments in this area may adversely impact the demand for some of our services (e.g. our text analytics and communications services) if some of our customers become unable to obtain proper consents for their communications at historical volumes.
- The Telephone Robocall Abuse Criminal Enforcement and Deterrence Act and the rules and regulations promulgated thereunder. The FCC has adopted rules requiring originating and terminating voice service providers to implement the STIR/SHAKEN caller identification ("ID") authentication framework to combat spoofed robocalls and is expected to adopt additional measures for that purpose. A number of our information services depend on integrations with voice service providers subject to these regulations. We maintain a registration in the FCC's Robocall Mitigation Database as a Non-Gateway Intermediate Provider. If we do not comply with our providers' evolving requirements pertaining to these regulations or if future regulatory measures relative to the STIR/SHAKEN caller ID authentication framework result in unforeseen interoperability issues for our information services that we are unable to address in a timely and efficient manner, our business, financial condition, and results of operations could be negatively impacted and/or we could face liability.
- Laws affecting telephone call recording and consent requirements. Under the Federal Wiretap Act, at least one party taking part in a call must be notified if the call is being recorded. Under this law, and most state laws, there is nothing illegal about one of the parties to a telephone call recording the conversation. However, a number of states (i.e., California, Connecticut, Delaware, Florida, Illinois, Maryland, Massachusetts, Montana, Nevada, New Hampshire, Pennsylvania, and Washington) require that all parties consent when one party wants to record a telephone conversation. The telephone recording laws in other states, like federal law, require only one party to be aware of the recording. The scope of the consent requirements under these laws may expand over time based on evolving case law in this area.
- The Communications Assistance for Law Enforcement Act may require that we undertake material modifications to our platforms and processes to permit wiretapping and other access for law enforcement personnel.
- Under various Orders of the FCC, we may be required to make material retroactive and prospective contributions to funds intended to support Universal Service, Telecommunications Relay Service, Local Number Portability, the North American Numbering Plan and the budget of the FCC.
- Laws in most U.S. states may require registration or licensing of one or more of our subsidiaries, and may impose additional taxes, fees or telecommunications surcharges on the provision of our services which we may not be able to pass through to customers.
- Our international operations may expose us to telecommunications regulations and data and privacy regulations in the countries where we are operating, and these regulations could negatively affect the viability of our business in those regions.

We may also be subject to costs and liabilities with respect to privacy issues. Several companies have incurred penalties for failing to abide by the representations made in their public-facing privacy policies. In addition, a significant number of U.S. states have enacted laws that require businesses and their service providers to implement and maintain reasonable security procedures and practices to protect personal information and to provide notice to consumers in the event of a security breach. For example, California enacted the California Consumer Privacy Act, which was subsequently amended by the California Privacy Rights Act of 2020 (“CPRA”), which went into effect on January 1, 2023. The CPRA gives California residents rights to access, correct, and delete their personal information, opt out of certain types of personal information sharing, limit the use of sensitive personal information as well as receive detailed information about how their personal information is retained and used. The CPRA and the regulations promulgated thereunder also include requirements for provisions to be included by businesses in their respective contracts with service providers, which limit the scope of permissible use for personal data processed as part of the services and give businesses certain rights to assess their service providers’ data processing operations. The CPRA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Several other states have enacted privacy-related legislation that provides for consumer rights similar to the CPRA. Further, it is anticipated that additional federal and state privacy-related legislation may be enacted. Such legislation could negatively affect our business in various ways such as by increasing our and/or our customers’ costs of compliance. Finally, the majority of the aforementioned privacy laws and regulations do not apply to information historically regulated by certain industry-specific legislation and regulations such as the Health Insurance Portability and Accountability Act of 1996 and/or the Gramm-Leach-Bliley Act, each of which include separate sets of security standards for the processing of covered data and provide for significant civil and/or criminal penalties for violations. To the extent that we increase our market share of conversational analytics offerings for customers in the healthcare and/or financial services industries, our risk of possible costs and liabilities related to compliance with these additional laws increases as well.

Foreign countries may enact laws that could negatively impact our business and/or may prosecute us for violating existing laws. Such laws might include European Union (“EU”) member country conforming legislation under applicable EU Privacy, eCommerce, Data Protection Directives (and similar legislation in other countries where we may have operations), the EU General Data Protection Regulation (“GDPR”), which is directly applicable to all member states and which has substantial compliance obligations and significant potential administrative fines for non-compliance, as well as the GDPR equivalent law retained by the United Kingdom and any successor legislation thereto. Any costs incurred in addressing foreign laws could negatively affect the viability of our business. Our exposure to this risk will increase to the extent we expand our operations internationally.

In addition, the potential regulation of new and emerging technologies, such as AI, which we are increasingly building into many of our new offerings, may result in increased compliance costs and risks. Any additional costs and penalties associated with increased compliance and risk mitigation could make certain offerings less profitable or increase the difficulty of bringing certain offerings to market.

We may face risks related to litigation that could result in significant legal expenses and settlement or damage awards.

From time to time, we are subject to claims and litigation, which could seriously harm our business and require us to incur significant costs.

We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

If we are a party to material litigation and if the defenses we claim are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damage awards that could have a material adverse effect on our business and Consolidated Financial Statements.

GENERAL RISKS

We are susceptible to general economic conditions, climate change, natural catastrophic events and public health crises, and any resulting negative impacts on our customers could adversely affect our operating results.

Our operating results will be subject to fluctuations based on general economic conditions, which are subject to a range of macroeconomic uncertainties such as labor shortages, supply chain disruptions, inflation and monetary supply shifts, among others. Any economic downturn could result in: a deterioration in the credit quality of our customers, which could adversely affect our accounts receivables; sales prospects delaying decision making and reducing propensity to purchase; challenges in servicing customers and extending and entering into new agreements; a reduction in customer budgets and slower sales cycles; customer requests for price concessions and extended payment terms; customer cancellations and inability to pay; and/or customer reconsideration and delay in launching test programs with us. Any such outcomes can cause decreases in or delays in customer spending and negatively impact our short-term ability to grow our revenues or result in significant decline in revenues, a significant decrease in our operating cash flows and/or otherwise negatively impact our results of operations.

Our business is also subject to the impact of global climate change which can increase the frequency of natural catastrophic events such as drought, wildfires, storms, sea-level rise, earthquakes, floods, or power outages. The long-term effects of climate change on the global economy and our industry in particular are unclear but could be severe.

Furthermore, global political crises such as terrorism or war, and public health crises, such as disease outbreaks, epidemics, or pandemics and their resulting impacts on the U.S. and global economies, our markets and business locations, could negatively impact our operating results.

The loss of our senior management, including other key personnel, could harm our current and future operations and prospects.

We are heavily dependent upon the continued services of members of our senior management team and other key personnel. Each member of our senior management team and other key personnel are at-will employees and may voluntarily terminate their employment with us at any time with minimal notice. Following any termination of employment, each of these members would only be subject to a twelve-month non-competition and non-solicitation obligation with respect to our customers and employees under our standard confidentiality agreement. The loss of the services of any member of our senior management, including other key personnel, for any reason, or any conflict among our senior management or other key personnel, could harm our current and future operations and prospects. We have experienced turnover in certain senior executives in recent years. Additional turnover at the senior management level may create instability within the Company and our employees may decide to terminate their employment, which could further impede the maintenance of our day-to-day operations. Such instability could impede our ability to implement fully our business plan and growth strategy, which would harm our business and prospects.

We may have difficulty retaining current personnel as well as attracting and retaining additional qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.

Our performance is largely dependent upon the talents and efforts of highly skilled individuals. In order to fully implement our business plan, we will need to retain our current qualified personnel, as well as attract and retain additional qualified personnel. Thus, our success will, in significant part, depend upon our retention of current personnel as well as the efforts of personnel not yet identified and upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We are also dependent on managerial and technical personnel to the extent they may have knowledge or information about our businesses and technical systems that may not be known by our other personnel. There can be no assurance that we will be able to attract and retain necessary personnel. The failure to hire and retain such personnel could adversely affect the implementation of our business plan.

If we are unable to obtain and maintain adequate insurance, our financial condition could be adversely affected in the event of uninsured or inadequately insured loss or damage. Our ability to effectively recruit and retain qualified officers and directors may also be adversely affected if we experience difficulty in maintaining adequate directors' and officers' liability insurance.

We may not be able to obtain and maintain insurance policies on terms affordable to us that would adequately insure our business and property against damage, loss or claims by third parties. To the extent our business, property or systems suffer any damages, losses or claims by third parties that are not covered or adequately covered by insurance, our financial condition may be materially adversely affected. We currently have directors' and officers' liability insurance. If we are unable to maintain sufficient insurance as a public company to cover liability claims made against our officers and directors, we may not be able to retain or recruit qualified officers and directors to manage our Company, which could have a material adverse effect on our operations.

It may be difficult for us to retain or attract qualified officers and directors, which could adversely affect our business and our ability to maintain the listing of our Class B common stock on the NASDAQ Stock Market.

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of changes in the rules and regulations which govern publicly-held companies, including, but not limited to, certifications from executive officers and requirements for financial experts on boards of directors. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting these roles. Further, applicable rules and regulations of the SEC and the NASDAQ heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters along with evolving diversity requirements for board composition. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, our business and our ability to maintain the listing of our shares of Class B common stock on the NASDAQ could be adversely affected.

Our Class B common stock prices have been and are likely to continue to be highly volatile.

The trading prices of our Class B common stock have been and are likely to continue to be highly volatile and subject to wide fluctuations and have at times declined significantly.

Our stock prices may fluctuate in response to a number of events and factors, which may be the result of our business strategy or events beyond our control, including: actual or anticipated fluctuations in our operating results; developments concerning proprietary rights, including patents, by us or a competitor; announcements by us or our competitors of significant contracts, acquisitions, financings, commercial relationships, joint ventures or capital commitments; loss of senior management or other key personnel; registration of additional shares of Class B common stock in connection with acquisitions; lawsuits initiated against us or lawsuits initiated by us; announcements of acquisitions or technical innovations; potential loss or reduced contributions from customers and reseller partners; significant volatility in the market price and trading volume of technology companies in general and of companies in our industry in particular; changes in growth or earnings estimates or recommendations by analysts; changes in the market valuations of similar companies; changes in our industry and the overall economic environment, including but not limited to uncertainty attributable to public health crises, such as disease outbreaks, epidemics or pandemics; volume of shares of Class B common stock available for public sale, including upon conversion of Class A common stock or upon exercise of stock options; Class B common stock repurchases under our share repurchase program; sales and purchases of stock by us or by our stockholders, including sales by certain of our executive officers and directors pursuant to written pre-determined selling and purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended; short sales, hedging and other derivative transactions on shares of our Class B common stock; and an adverse impact on us from any of the other risks cited in this Risk Factors section.

In addition, for the stock market in general and the NASDAQ, the market for technology companies in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry factors may seriously harm the market price of our Class B common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class action litigation has often been instituted against these companies.

Litigation against us, whether or not judgment is entered against us, could result in substantial costs and potentially economic loss, and a diversion of our management's attention and resources, any of which could seriously harm our financial condition. Additionally, there can be no assurance that an active trading market of our Class B common stock will be sustained.

If securities analysts do not continue to publish research or publish negative research about our business, our stock price and trading volume could decline.

The trading market for our Class B common stock depends in part on the research and reports that securities analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes negative research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Our founder controls the outcome of stockholder voting, and there may be an adverse effect on the price of our Class B common stock due to the disparate voting rights of our Class A and Class B common stock.

As of September 30, 2025 and December 31, 2024, Russell Horowitz, our founder, beneficially owned 100% of the outstanding shares of our Class A common stock, which shares represent about 75% of the voting power of all outstanding shares of our capital stock. The holders of our Class A and Class B common stock have identical rights except that the holders of our Class B common stock are entitled to one vote per share, while holders of our Class A common stock are entitled to 25 votes per share on all matters to be voted on by stockholders. This concentration of control could be disadvantageous to our other stockholders with interests different from those of our founder. This difference in the voting rights of our Class A and Class B common stock could adversely affect the price of our Class B common stock to the extent that investors or any potential future purchaser of our shares of Class B common stock give greater value to the superior voting rights of our Class A common stock.

Further, as long as our founder has a controlling interest, he will continue to be able to elect all or a majority of our board of directors and generally be able to determine the outcome of all corporate actions requiring stockholder approval. As a result, our founder will be in a position to continue to control all fundamental matters affecting our Company, including any merger involving, sale of substantially all of the assets of, or change in control of, our Company. The ability of our founder to control our Company may result in our Class B common stock trading at a price lower than the price at which such stock would trade if our founder did not have a controlling interest in us. This control may deter or prevent a third-party from acquiring us which could adversely affect the market price of our Class B common stock.

Anti-takeover provisions may limit the ability of another party to acquire us, which could cause our stock price to decline.

Our certificate of incorporation, as amended, our by-laws, as amended, and Delaware law contain provisions that could discourage, delay or prevent a third-party from acquiring us, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our Class B common stock. The following are examples of such provisions in our certificate of incorporation, as amended, or our by-laws, as amended: the authorized number of our directors can be changed only by a resolution of our board of directors; advance notice is required for proposals that can be acted upon at stockholder meetings; there are limitations on who may call stockholder meetings; and our board of directors is authorized, without prior stockholder approval, to create and issue "blank check" preferred stock.

We are also subject to Section 203 of the Delaware General Corporation Law ("DGCL"), which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an "interested stockholder" and may not engage in "business combinations" with us for a period of three years from the time the person acquired 15% or more of our voting stock. The application of DGCL could have the effect of delaying or preventing a change of control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2025, we established the 2025 Repurchase Program, which supersedes and replaces any prior repurchase programs, and authorized the Company to repurchase up to 3,000,000 shares in the aggregate of the Company's Class B common stock. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. During the three and nine months ended September 30, 2025, we did not have any share repurchases under this program or any superseded program and 3,000,000 of Class B common shares remain available for purchase under the plan.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three and nine months ended September 30, 2025, no directors or officers of the Company, as defined in Rule 16a-1(f), have adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

Item 6. Exhibits

Exhibit Number	Description
†10.17	Agreement in Principle to Acquire Archenia, Inc.
†31.1	Certification of Co-Principal Executive Officers pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†32	Certification of Co-Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
†101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.
†104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
† Filed herewith.	

SIGNATURE

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

MARCHEX, INC.

Date: November 14, 2025

By: _____ /s/ BRIAN NAGLE
Name: **Brian Nagle**
Title: **Chief Financial Officer ("CFO")**
(Principal Financial Officer and Principal Accounting Officer)

AGREEMENT IN PRINCIPLE

November 13, 2025

Archenia, Inc.
1200 5th Avenue, Suite 1300
Seattle, WA 98101
Attn: Russell Horowitz, Director

Re: Proposal to Purchase 100% of the Outstanding Stock of Archenia, Inc.

Dear Mr. Horowitz:

This agreement in principle (this “*Agreement in Principle*”) is intended to summarize the principal terms of a proposed transaction (the “*Transaction*”) pursuant to which Marchex, Inc. (“*Buyer*”) would acquire 100% of the outstanding stock (the “*Stock*”) of Archenia, Inc. (the “*Company*,” and together with Buyer, the “*Parties*”).

1. Structure; Consideration.

(a) Subject to the satisfaction of the conditions described in this Agreement in Principle, at the closing (the “*Closing*”) of the Transaction, Buyer would acquire the Stock by means of a direct stock purchase from the stockholders of the Company (each, a “*Seller*”, and collectively, the “*Sellers*”).

(b) The total purchase price shall be payable as follows:

I. Convertible Promissory Note

At Closing, Buyer shall issue each Seller a convertible promissory note (each, a “*Note*”, and collectively, the “*Notes*”) with a principal amount equal to ten million U.S. dollars (\$10,000,000) in the aggregate for all Notes, subject to the following key terms:

- **Interest Rate:** The Note shall bear interest at an annual rate of 6%, computed on a 360-day year for actual days elapsed.
 - **Maturity:** Principal amount shall be due and payable in three (3) equal tranches, as follows:
 - (a) the first tranche on the date that is twelve (12) months following the Closing Date;
 - (b) the second tranche on the date that is eighteen (18) months following the Closing Date;
 - and
 - (c) the third tranche on the date that is twenty-four (24) months following the Closing Date.
 - **Conversion:** At any time prior to full repayment, each Seller may elect to convert all or any portion of the outstanding principal and any accrued but unpaid interest under their respective Note into
-

shares of Class B common stock of the Buyer at \$1.80 per share (the 30-day average closing price through November 11, 2025) (the “*Conversion Price*”).

- Security:** The Notes shall be unsecured obligations of Buyer and holders of Notes shall have the status of unsecured general creditors.
- Other Terms:** Customary representations, covenants, and events of default to be included in Notes.

II. Earnout

Sellers shall be entitled to additional contingent consideration (the “*Earnout*”), based on the achievement of specified post-Closing performance metrics, as follows:

- Performance Period:** The twenty-four (24) month period following the Closing Date.
- Earnout Terms:** For each twelve (12) month period during the Performance Period, to the extent the Company’s revenue and Adjusted EBITDA exceed thresholds to be agreed in the Definitive Agreement (as defined below), Buyer shall issue to the Sellers two (2) million shares of Buyer’s Class B Common Stock (in the aggregate for all Sellers), for a total of four (4) million shares in the event such revenue and Adjusted EBITDA thresholds are exceeded for both such periods.
- Buyer Control over Business:** Buyer shall have sole and absolute discretion regarding all matters related to the operation, management, financing and conduct of the Company’s business after Closing, including, but not limited to: (a) hiring (and firing) employees/personnel, (b) setting budgets, pricing and sales strategies, (c) merging, consolidating, or restructuring the business or its assets, and (d) integrating the Company’s business with Buyer’s existing operations. Buyer shall not owe the Company or the Sellers any fiduciary duty or implied covenant of good faith and fair dealing with respect to the operation of the Company’s business or the achievement of all or any portion of the Earnout beyond the express terms set forth in the Definitive Agreement.

2. Proposed Definitive Agreement. As soon as reasonably practicable after the execution of this Agreement in Principle, the Parties shall commence to negotiate a definitive purchase agreement (the “*Definitive Agreement*”) relating to Buyer’s acquisition of the Stock, to be drafted by Buyer’s counsel. The Definitive Agreement would include the terms summarized in this Agreement in Principle and such other representations, warranties, conditions, covenants, indemnities and other terms that are customary for transactions of this kind and are not inconsistent with this Agreement in Principle. The Parties shall also commence to negotiate ancillary agreements customary for transactions of this kind to be drafted by Buyer’s counsel. For the sake of clarity, the Parties expressly agree that neither Party shall be obligated to enter into the

Definitive Agreement, and neither Party intends to enter into the Definitive Agreement unless and until:

(a) The Company has provided to Buyer audited financial statements of the Company sufficient for inclusion in a proxy statement on Schedule 14A to be delivered to Buyer's stockholders for approval of the Transaction (the "**Company Financial Statements**");

(b) Buyer's satisfactory completion of due diligence (e.g., legal, business, accounting/financial, tax, etc.), including but not limited to satisfactory review of the Company Financial Statements;

(c) The delivery to Buyer's Board of Directors (the "**Board**") of a customary fairness opinion by a financial advisor selected by the Special Committee of the Board.

3. Closing Conditions. Buyer's and the Company's respective obligation to close the Transaction will be subject to customary conditions, including:

(a) the filing with, and completed review by, the U.S. Securities and Exchange Commission of a proxy statement on Schedule 14A regarding the Transaction;

(b) the Boards of Directors and stockholders of Buyer and the Company (as required by law or otherwise) approving the Transaction, including in the case of Buyer a majority of the disinterested stockholders;

(c) the receipt of any third-party consents as relevant, on terms satisfactory to Buyer and the Company; and

(d) there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise) or assets of the Company or Buyer.

4. Due Diligence. From and after the date of this Agreement in Principle, the Company will authorize its management to allow Buyer and its advisors access to the facilities, records, key employees, customers, suppliers, and advisors of the Company for the purpose of completing Buyer's due diligence review. The due diligence investigation will include, but is not limited to, a complete review of the legal, intellectual property, and related agreements of the Company, and any other matters as Buyer's accountants, tax and legal counsel, and other advisors deem relevant.

5. Banker. Within thirty (30) days following execution of this Agreement in Principle, Buyer agrees to use commercially reasonable efforts to promptly engage a financial advisor selected by the Special Committee of the Board for the purpose of evaluating whether the consideration to be paid by Buyer in the Transaction is fair to the Buyer's stockholders (other than Sellers) from a financial point of view.

6. Exclusivity. In consideration of the expenses that Buyer has incurred and will incur in connection with the Transaction, the Company agrees that until such time as this Agreement in Principle has terminated in accordance with the provisions of Section 6 (such period, the "**Exclusivity Period**"), neither it nor any of its representatives, officers, employees, directors, agents, stockholders, subsidiaries, or affiliates (the "**Company Group**") shall initiate, solicit, entertain, negotiate, accept or discuss, directly or indirectly, any proposal or offer (or potential proposal or offer) from any person or group of persons other than Buyer and its affiliates (a "**Financing or Acquisition Proposal**") to acquire all or any portion of the assets or equity of the

Company, whether by merger, purchase of stock, purchase of assets, tender offer or otherwise (including, but not limited to, an equity financing), or provide any non-public information to any third party in connection with a Financing or Acquisition Proposal or enter into any agreement, arrangement or understanding requiring it to abandon, terminate, or fail to consummate the Transaction with Buyer. Immediately upon execution of this Agreement in Principle, the Company shall, and shall cause the Company Group to, terminate any and all existing discussions or negotiations with any person or group of persons other than Buyer and its affiliates regarding a Financing or Acquisition Proposal. The Company represents that no member of the Company Group is party to or bound by any agreement with respect to a Financing or Acquisition Proposal other than under this Agreement in Principle.

7.Termination. This Agreement in Principle will automatically terminate and be of no further force and effect upon the earlier of (i) execution of the Definitive Agreement by Buyer and the Company, (ii) mutual agreement of Buyer and the Company, and (iii) March 31, 2026. Notwithstanding anything in the previous sentence, Sections 8, 9, and 11 shall survive the termination of this Agreement in Principle and the termination of this Agreement in Principle shall not affect any rights any Party has with respect to the breach of this Agreement in Principle by the other Party prior to such termination.

8.GOVERNING LAW. THIS AGREEMENT IN PRINCIPLE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE THAT WOULD CAUSE THE APPLICATION OF LAWS OF ANY JURISDICTION OTHER THAN THOSE OF THE STATE OF DELAWARE.

9.Confidentiality. This proposal is submitted on the condition that, without the other Party's prior written consent and other than disclosures to Representatives (as defined below) of either Party, neither party nor any of their respective Representatives acting, directly or indirectly, on such Party's behalf will disclose to any other person or use for any purpose other than considering the Transaction (i) the existence or any terms of this Agreement in Principle or (ii) the fact that any discussions or negotiations are taking place between Buyer and the Company. To the extent that either Party is obligated by applicable law to disclose any of the foregoing, or any information related thereto, such Party shall provide the other party with prior written notice of such obligation and cooperate with the other Party's attempts to limit any such disclosure to only that which is required by such applicable law, so long as such notice and cooperation are permitted by applicable law. For purposes of this Section, "**Representatives**" means a Party's stockholders, affiliates, directors, officers, employees, agents, investment bankers, attorneys, accountants, consultants, advisors and other representatives.

10.No Third Party Beneficiaries. Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon any person or entity other than the Parties and their successors or assigns, any rights or remedies under or by reason of this Agreement in Principle.

11.Expenses. The Parties will each pay their own expenses, including the fees and expenses of advisors, incurred in connection with this Agreement in Principle.

12.No Binding Agreement. This Agreement in Principle reflects the intention of the Parties, but for the avoidance of doubt neither this Agreement in Principle nor any action taken in

connection with or in reliance on it shall give rise to any legally binding or enforceable obligation on any Party, except with regard to Sections 6 through 12 hereof (which are intended to be binding). No contract or agreement providing for any transaction involving the Stock shall be deemed to exist between the Company and Buyer and any of its affiliates unless and until a final Definitive Agreement has been executed and delivered.

13. Miscellaneous. This Agreement in Principle may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. The headings of the various sections of this Agreement in Principle have been inserted for reference only and shall not be deemed to be a part of this Agreement in Principle.

[signature page follows]

Agreement in Principle
Page 5

If you are in agreement with the terms set forth above and desire to proceed with the Transaction on that basis, please sign this Agreement in Principle in the space provided below and return an executed copy.

Sincerely,

Marchex, Inc., a Delaware corporation

By: /s/ DONALD COGSVILLE

NAME: Donald Cogsville

TITLE: Director

Agreed to and accepted:

Archenia, Inc., a Delaware corporation

By: /s/ RUSSELL C. HOROWITZ

NAME: Russell C. Horowitz

TITLE: Director

Agreement in Principle
Signature Page

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Each, Troy Hartless, and Francis J. Feeney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marchex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2025

/s/ TROY HARTLESS
Troy Hartless
President & Chief Revenue Officer ("CRO")
(Co-Principal Executive Officer)

/s/ FRANCIS J. FEENEY
Francis J. Feeney
Chief Operating Officer ("COO") & Chief Legal Officer
("CLO"), Corporate Secretary
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian Nagle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marchex, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2025

By: _____ /s/ BRIAN NAGLE
Brian Nagle
CFO
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Marchex, Inc. for the three months ended September 30, 2025 as filed with the SEC on the date hereof, each of Troy Hartless, as Co-Principal Executive Officer, Francis J. Feeney, as Co-Principal Executive Officer, and Brian Nagle, as Principal Financial Officer and Principal Accounting Officer, of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his or her knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2025

By: /s/ TROY HARTLESS
Name: **Troy Hartless**
Title: **President & CRO**
(Co-Principal Executive Officer)

Date: November 14, 2025

By: /s/ FRANCIS J. FEENEY
Name: **Francis J. Feeney**
Title: **COO & CLO, Corporate Secretary**
(Co-Principal Executive Officer)

Date: November 14, 2025

By: /s/ BRIAN NAGLE
Name: **Brian Nagle**
Title: **CFO**
(Principal Financial Officer and Principal Accounting Officer)
