



Marchex Reports Third Quarter 2007 Financial Results

November 8, 2007

SEATTLE, WA - NOVEMBER 8, 2007

Marchex, Inc. (NASDAQ: MCHX, MCHXP), a local online advertising company and leading publisher of local content, today reported its results for the third quarter ended September 30, 2007.

Consolidated Financial Results:

- Revenue was \$33.5 million for the third quarter of 2007, compared to \$32.3 million for the same period of 2006.
- GAAP net loss applicable to common stockholders was \$1.5 million for the third quarter of 2007 or \$0.04 per share. This compares to GAAP net loss applicable to common stockholders of \$411,000 or \$0.01 per share for the same period of 2006. The third quarter 2007 results included non-cash stock-based compensation expense recorded under the fair value method of \$3.0 million, compared to non-cash stock-based compensation expense of \$3.2 million for the same period in 2006.
- We provide a reconciliation of GAAP EPS to Adjusted non-GAAP EPS in the financial tables attached to this press release and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures. Adjusted non-GAAP EPS for the third quarter of 2007 was \$0.07, compared to \$0.13 for the same period of 2006. Some Wall Street analysts use non-GAAP measures to analyze our operating results, which may include adjusted non-GAAP EPS, adjusted operating income before amortization and adjusted EBITDA. We present GAAP measures with equal or greater prominence than non-GAAP measures and such non-GAAP measures should not be considered a substitute for, or superior to, GAAP results.
- Adjusted operating income before amortization was \$4.8 million for the third quarter of 2007, compared to \$8.6 million for the same period of 2006. A reconciliation of non-GAAP adjusted operating income before amortization to GAAP operating income and GAAP net income is included in the financial tables attached to this release.
- Adjusted EBITDA was \$7.3 million in the third quarter of 2007, compared to \$10.2 million for the same period of 2006. A reconciliation of operating income before taxes, depreciation, amortization and gain/loss on sales of intangible assets to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

"Local will be a primary driver of online advertising growth over the next five years, and we believe leadership in local will increasingly be recognized as both unique and valuable," said Russell C. Horowitz, Marchex Chairman and CEO. "Marchex is achieving local leadership through two means: first, we are building and delivering the most local-centric advertising platform in the industry, supporting clicks and calls. And second, we are focused on delivering unparalleled utility and relevance to the millions of consumers who are increasingly turning to the Internet for local information. Looking at the third quarter, we feel very good about the progress we made on both of these fronts and feel this progress supports our recent decision to accelerate our investment in the local opportunity."

Operating Highlights:

Local Advertiser Growth: In the third quarter, Marchex added more than 20,000 new advertisers through its aggregator partnerships, direct sales channel and through the addition of more than 16,000 call-based local advertisers through its acquisition of VoiceStar. Marchex now has more than 50,000 advertisers using its products and services and, based on current growth rates, anticipates it will have more than 80,000 advertisers using its products and services by the end of 2009.

Advertising Services: For the third quarter, revenue from advertising services was \$23.5 million compared to \$20.1 million for the same period in 2006. The principal factors driving growth for the quarter were an increase in the number of new advertisers using Marchex products and services along with increased uptake of Marchex's third party content distribution and monetization platform.

Proprietary Traffic Sources: For the third quarter, revenue from proprietary traffic sources was \$10.0 million. Additionally, Marchex attracted 26 million unique visitors for the month of September. Unique visitor statistics are based on internal traffic logs, which calculate unique IP (Internet protocol) addresses on an unduplicated basis during a given month. The number of revenue-generating events and referrals in the third quarter was more than 35 million.

"As expected, the principal factors impacting revenue from proprietary traffic sources for the quarter were a greater shift toward direct inventory sales by Marchex, which currently carry a lower average rate than third-party sources, and the planned refocusing of certain marketing efforts, which led to reduced marketing spending," said Michael Arends, Marchex Chief Financial Officer.

Stock Buy Back: During the quarter, Marchex purchased 1.4 million shares of its outstanding Class B common stock for a total price of \$13.6 million, representing 3% of its common shares outstanding.

MARCHEX FINANCIAL GUIDANCE:

Marchex is updating its guidance as follows:

Q4 2007 revenue estimate:	\$35 million or more
Q4 2007 adjusted operating income before amortization estimate:	\$4 million or more

Adjusted EBITDA: For adjusted EBITDA, Marchex anticipates add-backs of approximately \$2 million in additional depreciation and amortization to its adjusted operating income before amortization range, implying an adjusted EBITDA of \$6 million or more for the fourth quarter of 2007.

CONFERENCE CALL AND WEBCAST INFORMATION:

Management will hold a conference call, starting at 5:00 p.m. EDT on Thursday, November 8, 2007 to discuss its third quarter 2007 results and other company updates.

ABOUT MARCHEX, INC.

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

FORWARD LOOKING STATEMENTS:

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding our strategy, future operations, future financial position, future revenues, acquisitions, projected costs, prospects, plans and objectives of management are forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. There are a number of important factors that could cause Marchex's actual results to differ materially from those indicated by such forward-looking statements which are described in the "Risk Factors" section of our most recent periodic report and registration statement filed with the SEC. All of the information provided in this release is as of November 8, 2007 and Marchex undertakes no duty to update the information provided herein.

NON-GAAP FINANCIAL INFORMATION:

To supplement Marchex's consolidated financial statements presented in accordance with GAAP and to provide clarity internally and externally, Marchex uses certain non-GAAP measures of financial performance and liquidity, including OIBA, Adjusted OIBA, Adjusted EBITDA and Adjusted non-GAAP EPS. Marchex also provides Pro Forma Revenue information for the three and nine months ended September 30, 2006 and 2007 as if the AreaConnect and Open List asset acquisitions in 2006 and the VoiceStar acquisition in 2007 occurred as of January 1, 2006, and the VoiceStar acquisition in 2007 occurred as of January 1, 2007.

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

Adjusted non-GAAP EPS represents Adjusted Net Income divided by weighted average fully diluted shares outstanding for Adjusted non-GAAP EPS purposes. Adjusted Net Income generally captures those items on the statement of operations that have been, or ultimately will be, settled in cash exclusive of certain non-recurring items and represents net income (loss) available to common stockholders plus: (1) stock based compensation expense, (2) amortization of acquired intangible assets, (3) gain/loss on sales and disposals of intangible assets, (4) other income (expense), (5) the cumulative effect of changes in accounting principles, (6) facility relocation and less (7) discount on preferred stock redemption. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method, includes the weighted average number of all potential common shares relating to convertible preferred stock and restricted stock. Shares outstanding for Adjusted non-GAAP EPS purposes are therefore higher than shares outstanding for GAAP EPS purposes. Financial analysts and investors may use Adjusted non-GAAP EPS to analyze Marchex's financial performance since these groups have historically used EPS related measures, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate a company's operating performance compared to that of other companies in its industry.

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

For further information, contact:

Marchex Investor Relations:
Trevor Caldwell
Telephone: 206.331.3600
Email: [ir\(at\)marchex.com](mailto:ir(at)marchex.com)

Marchex Press:
Michelle Craig
Nyhus Communications for Marchex
Telephone: 206.323.3733
Email: michelle(at)nyhus.com

[Click here to view Marchex's Third Quarter 2007 Financial Tables](#) (.pdf format)