



Marchex Reports First Quarter 2006 Financial Results

May 8, 2006

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Marchex, Inc. (NASDAQ: MCHX, MCHXP) today reported its results for the first quarter ended March 31, 2006.

CONSOLIDATED FINANCIAL RESULTS:

- Revenue was \$31.1 million for the first quarter of 2006, a 69% increase compared to \$18.4 million for the same period of 2005.
- GAAP net loss applicable to common stockholders was \$1.2 million for the first quarter of 2006 or \$0.03 per share, compared to GAAP net income applicable to common stockholders of \$388,000 or \$0.01 per share for the same period of 2005. The first quarter 2006 results included stock-based compensation expense recorded under the fair value method of \$3.5 million compared to stock-based compensation expense of \$147,000 for the same period in 2005, as well as a one-time payout of \$970,000, recorded as convertible preferred stock dividends and conversion payment, associated with the conversion of approximately 80,848 shares of the company's preferred stock into approximately 824,980 shares of Class B common stock. The first quarter 2006 results also included an after-tax gain of \$151,000 as a cumulative effect of a change in accounting principle associated with Marchex's adoption of SFAS 123R.
- We provide a reconciliation of GAAP EPS to Adjusted Non-GAAP EPS in the last 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 first quarter of 2006 was \$0.09, compared to \$0.07 for the same period of 2005. 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 \$8.3 million for the first quarter of 2006, or 27% of revenue, which is an increase of 98% compared to \$4.2 million for the same period of 2005. A reconciliation of non-GAAP adjusted operating income before amortization to GAAP operating income and GAAP net income is attached to the financial tables included in this release.
- Adjusted EBITDA was \$9.6 million in the first quarter of 2006, which is an increase of 102% compared to \$4.7 million for the same period of 2005. 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 attached to the financial tables included in this release.

"Marchex continues to be focused on the long-term opportunities that exist in our core markets. In the first quarter, Marchex continued to build a strong foundation for growth in our network of vertical and local Web sites, and also made solid progress on our marketing and monetization platform," said Russell C. Horowitz, Marchex Chairman and CEO. "The markets we operate in are large and growing, and we believe Marchex has a great opportunity to leverage our unique asset base to be an increasingly significant participant in these markets. As such, we are dedicated to making progress quarter-to-quarter and year-to-year while also accelerating our investment against these emerging opportunities."

UPDATED PROPRIETARY TRAFFIC STATISTICS AND RECENT HIGHLIGHTS:

- Marchex today announced that its proprietary network of vertical and local Web sites attracted more than 28 million unique visitors for the month of March 2006, which excludes the more than 1 million unduplicated unique visitors per month that accompanied Marchex's AreaConnect asset acquisition, announced on May 2, 2006. Unique visitor statistics are based on internal traffic logs, which calculate unique IP (Internet protocol) addresses on an unduplicated basis during a given month.
- Marchex continues to increase the monetization of its own traffic with its own advertisers. As such, revenue attributable to proprietary traffic sources is increasingly benefiting from the contributions of this integration with Marchex's search marketing merchant advertisers, as well as from the company's continued selected marketing efforts. For the first quarter in 2006, revenue attributable to proprietary traffic sources was \$11.3 million.

MARCHEX FINANCIAL GUIDANCE:

Marchex is updating its previous guidance provided on February 23, 2006, and is reiterating the company's long-term adjusted operating income before amortization margins as follows:

2006 consolidated revenue range estimate: \$130 million to \$134 million
2006 adjusted operating income before amortization target range: \$34 million to \$38 million
Long-term adjusted operating income before amortization margins: 30% or more

CONFERENCE CALL AND WEBCAST INFORMATION:

Management will hold a conference call, starting at 5:00 p.m. EDT on Monday, May 8, 2006 to discuss its first quarter 2006 results and other company updates.

ABOUT MARCHEX, INC.:

Marchex's (www.marchex.com) mission is to be a leader in delivering vertical and local online traffic to merchants. The company is focused on search marketing, local search, and direct navigation. Marchex's platform of integrated performance-based advertising and search marketing services enables merchants to efficiently market and sell their products and services across multiple online distribution channels, including search engines, product shopping engines, directories and selected Web properties.

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 May 8, 2006 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. In light of Marchex's IndustryBrains acquisition in 2005, and the Name Development and Pike Street Industries asset acquisitions in 2005, Marchex also provides Pro Forma Revenue information. OIBA represents income from operations plus (1) stock-based compensation expense and (2) amortization of acquired intangible assets. This measure, among other things, is one of the primary metrics by which Marchex evaluates the performance of its business. Additionally, Marchex's management uses Adjusted OIBA which excludes any gain/loss on sales of intangible assets as this is 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 available to common shareholders plus: (1) stock based compensation expense, (2) amortization of acquired intangible assets, (3) gain/loss on sales of intangible assets, (4) other income (expense) and (5) the cumulative effect of changes in accounting principles. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method and 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.

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[Click here to view Marchex's First Quarter 2006 Financial Tables](#) (.pdf format)