



Marchex Reports Fourth Quarter and Full Year 2009 Financial Results

February 18, 2010

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Marchex, Inc. (NASDAQ: MCHX), a leading performance marketing company, today reported its results for the full year ended December 31, 2009.

Fourth Quarter 2009 Consolidated Financial Results

- Revenue was \$23.4 million for the fourth quarter of 2009, compared to \$34.8 million for the same period of 2008.
- GAAP net income applicable to common stockholders was \$36,000 for the fourth quarter of 2009 or \$0.00 per diluted share. This compares to GAAP net loss applicable to common stockholders of \$128.5 million or \$3.66 per diluted share for the same period of 2008 which included the effect of a pre-tax \$176.7 million non-cash goodwill and intangible asset impairment charge. The fourth quarter 2009 results included non-cash stock-based compensation expense of \$2.3 million, compared to non-cash stock-based compensation expense of \$2.4 million for the same period in 2008.
- As discussed in the summary of the fourth quarter 2009 consolidated financial results, we provide a reconciliation of GAAP diluted EPS to Adjusted Non-GAAP EPS in the financial tables attached to this press release and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures. Adjusted non-GAAP EPS for 2009 was \$0.12, compared to \$0.37 in 2008.
- Adjusted operating income before amortization was \$2.1 million for the fourth quarter of 2009, compared to \$5.5 million for the same period of 2008. 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 \$3.6 million in the fourth quarter of 2009, compared to \$7.5 million for the same period of 2008. A reconciliation of adjusted EBITDA to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

Full Year 2009 Results

- Revenue for the year ended December 31, 2009 was \$93.3 million, compared to \$146.4 million for the same period of 2008.
- GAAP net loss applicable to common stockholders was \$2.1 million or \$0.07 per diluted share for 2009. This compares to GAAP net loss applicable to common stockholders of \$127.9 million or \$3.52 per diluted share for the same period of 2008 which included the effect of a pre-tax \$176.7 million non-cash goodwill and intangible asset impairment charge.
- As discussed in the summary of the fourth quarter 2009 consolidated financial results, we provide a reconciliation of GAAP diluted EPS to Adjusted Non-GAAP EPS in the financial tables attached to this press release and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures. Adjusted non-GAAP EPS for 2009 was \$0.12, compared to \$0.37 in 2008.
- Adjusted operating income before amortization was \$6.8 million for 2009, compared to \$22.6 million in 2008. 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 \$13.0 million for 2009, compared to \$32.1 million in 2008. A reconciliation of adjusted EBITDA to GAAP net cash provided by operating activities is included in the financial tables attached to this release.

"As we finished 2009, we continued to see very good traction with our call advertising products, as well as our suite of small business marketing products, which led to another quarter of sequential growth," said Russell C. Horowitz, Marchex Chairman and Chief Executive Officer. "We are highly focused on continuing our progress and innovating and executing against these core industry beliefs in 2010: (1) call-based advertising products will become ubiquitous; and (2) small businesses will increasingly look to unified marketing products to help them grow and manage their business and customer relationships."

Operating Highlights

Local Advertising Services: For the fourth quarter of 2009, revenue from Local Advertising Services was \$16.4 million. Marchex ended the fourth quarter with more than 70,000 advertisers using its products and services. Based on ongoing progress, Marchex expects to add to its advertiser total in 2010. Paid inclusion related services, totaling approximately \$1.4 million for the fourth quarter of 2009 and approximately \$7.5 million for 2009, were discontinued as of year end in accordance with the previously announced plan.

Publishing (proprietary traffic sources): For the fourth quarter of 2009, revenue from Publishing was \$7.0 million.

Non-Operating Highlights

During the fourth quarter of 2009, Marchex sold a small number of non-strategic domains that yielded \$2 million. There is still significant demand for high quality domains and Marchex believes that will remain the case for the foreseeable future.

In addition, during the fourth quarter of 2009, Marchex purchased 695,000 shares of its outstanding Class B common stock for a total price of \$3.2 million, bringing its total shares repurchased under its stock repurchase program to 8.8 million shares, or 24% of its outstanding common stock.

Marchex Financial Guidance

The following forward-looking statements reflect Marchex's expectations as of February 18, 2010.

First Quarter Guidance:

Marchex anticipates first quarter revenue of \$22.0 million to \$23.0 million.

"We remain significantly invested in our products as many of the markets we serve are early in their development," said Horowitz. "As our penetration into these developing markets increases in 2010, we anticipate seeing increased growth in our overall business and increased efficiencies as we accelerate beyond the fixed cost components of these initiatives, even if in the first quarter and near term, margins stay in a range similar to the fourth quarter. Additionally, our guidance today reflects the discontinuation of paid inclusion related revenue as of year end."

"Although the early stage nature of some of our growth products makes it difficult to forecast specific revenue and profitability targets for the full year, the investments we are making are paying off and we expect the continued momentum from both our call and small business marketing products to result in accelerating revenue gains in 2010. In addition, we expect our business progress will result in Marchex continuing to generate significant cash flow in 2010. We are excited about the progress we are making and we look forward to updating you as we launch new products and customers throughout the year," said Horowitz.

Conference Call and Webcast Information

Management will hold a conference call, starting at 5:00 p.m. ET on Thurs., February 18, 2010 to discuss its fourth quarter and year ended December 31, 2009 financial results, and other company updates.

About Marchex

Marchex, Inc. (<http://www.marchex.com/>) provides call- and click-based performance marketing products. Marchex's products support tens of thousands of advertisers, ranging from local businesses to the Fortune 500.

Forward-Looking Statements

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding our strategy, future operations, future financial position, future revenues and other financial guidance, acquisitions, projected costs, prospects, plans and objectives of management are forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. There are a number of important factors that could cause Marchex's actual results to differ materially from those indicated by such forward-looking statements, which are described in the "Risk Factors" section of our most recent periodic report and registration statement filed with the SEC. All of the information provided in this release is as of February 18, 2010 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.

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) impairment of goodwill and intangible assets 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, gain/loss on sales and disposals of intangible assets and impairment of goodwill and 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) impairment of goodwill and intangible assets and less (6) premium on preferred stock redemption. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method, includes the weighted average number of all potential common shares relating to convertible preferred stock and restricted stock and excludes the weighted average common share equivalents for redeemed preferred shares. Shares outstanding for Adjusted non-GAAP EPS purposes are therefore higher than shares outstanding for GAAP EPS purposes. Financial analysts and investors may use Adjusted non-GAAP EPS to analyze Marchex's financial performance since these groups have historically used EPS related measures, along with other measures, to estimate the value of a company, to make informed investment decisions, and to evaluate a company's

operating performance compared to that of other companies in its industry.

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

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Click [here](#) to view Marchex's Fourth Quarter 2009 Financial Tables (.pdf format)