



Marchex Announces Record First Quarter Results

May 1, 2014

Company Reports Record Call-Driven Revenue and Growth

SEATTLE--(BUSINESS WIRE)--May 1, 2014-- [Marchex, Inc.](#) (NASDAQ:MCHX), a mobile advertising technology company, today announced its financial results for the first quarter ended March 31, 2014.

"As the first quarter demonstrates, advertisers are increasingly turning to Marchex as they begin to boost spending in mobile performance advertising," said Russell Horowitz, Chairman and CEO of Marchex. "With the rapid adoption of mobile, consumer phone calls are fast-becoming one of the most important outcomes of mobile ad campaigns. Advertisers now want a better understanding of these over-the-phone interactions. Marchex is ideally positioned to meet this new and growing market, based on our early investment in our [Call Analytics technology](#) platform and [pay-for-call](#) marketplace."

Q1 2014 Financial Highlights¹

- GAAP revenue was \$50.5 million for the first quarter of 2014, compared to \$34.7 million for the first quarter of 2013. Non-GAAP revenue², which excludes domain sales recorded in revenue, was \$48.6 million for the first quarter of 2014.
- GAAP net income from continuing operations was \$846,000 for the first quarter of 2014, compared to a GAAP net income from continuing operations of \$116,000 for the first quarter of 2013.
- GAAP net income from continuing operations attributable to common stockholders per diluted share was \$0.02 for the first quarter of 2014. This compares to GAAP net income from continuing operations attributable to common stockholders per diluted share of \$0.00 for the first quarter of 2013.

	Q1 2014	Q1 2013
GAAP Revenue	\$50.5 million	\$34.7 million
Non-GAAP Results:		
Non-GAAP Revenue^{2, 4}	\$48.6 million	\$34.7 million
Call-Driven and Related Revenue	\$45.5 million	\$31.1 million
Archeo Revenue excluding domain gains and sales^{2, 4}	\$3.1 million	\$3.6 million
Call-Driven Adjusted OIBA⁴	\$2.4 million	\$1.4 million
Call-Driven Adjusted EBITDA⁴	\$3.3 million	\$2.2 million
Adjusted OIBA^{3, 4}	\$4.7 million	\$3.6 million
Adjusted EBITDA^{3, 4}	\$5.7 million	\$4.5 million
Adjusted OIBA excluding domain gains and sales⁴	\$2.8 million	\$2.2 million
Adjusted EBITDA excluding domain gains and sales⁴	\$3.8 million	\$3.2 million

- Adjusted non-GAAP EPS³ from continuing operations for the first quarter of 2014 was \$0.08, compared to \$0.07 for the first quarter of 2013. Adjusted non-GAAP EPS³ from continuing operations excluding domain gains and sales for the first quarter of 2014 was \$0.05, compared to \$0.04 for the first quarter of 2013.

¹ In July 2013, certain pay-per-click assets were sold. As a result, the financial results of these pay-per-click assets are presented as discontinued operations, net of tax in our condensed consolidated statements of operations in accordance with GAAP, and are excluded from all other results unless otherwise noted.

² Excludes domain sales recognized in GAAP revenue. In September 2013 upon the launch of its domain marketplace, the company commenced recognizing domain sales as revenue.

³ Adjusted OIBA, Adjusted EBITDA and Non-GAAP EPS include the impact of domain gains and sales. Historically, these non-GAAP measures excluded the impact of domain gains and sales.

⁴ Reconciliations of non-GAAP measures are included in the financial tables attached to this press release and we encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures.

Marchex Q1 and Recent Call-Driven Business Highlights:

- **Revenue.** Call-Driven and related revenue was \$45.5 million for the first quarter of 2014 – a 46 percent increase compared to \$31.1 million for the first quarter of 2013.
- **Customers and Partners.** Added more than a dozen new national and reseller customers across several categories, such as Auto Services, Financial Services, and Travel.
- **Strategic Developments.** Marchex raised \$32 million as part of its public offering which was completed on April 4th. Marchex intends to use the net proceeds of the offering for general corporate purposes, which may include acquisitions or licenses of, or investments in, products, services, technologies or other businesses.

Archeo Q1 Business Highlights:

- **Revenue.** Archeo non-GAAP revenue was \$3.1 million for the first quarter of 2014, which excludes domain sales recognized in GAAP revenue.
- **Domains sales.** During the first quarter of 2014, domain sales yielded \$1.9 million.

Business Outlook

The following forward-looking statements reflect Marchex's expectations as of May 1, 2014 and exclude any contribution from Archeo operations, domain sales and discontinued operations. **Archeo operating results would be incremental and additive to our Call-Driven revenue, profitability, and other measures below:**

Call-Driven financial guidance for the fiscal year ending December 31, 2014

Call-Driven Revenue	\$171 million or more
Call-Driven Adjusted OIBA ¹	\$8 million or more
Call Driven Adjusted EBITDA ¹	\$12 million or more

Call-Driven financial guidance for the Second Quarter ending June 30, 2014

Call-Driven Revenue	\$43.5 million or more
Call-Driven Adjusted OIBA ¹	\$1.5-\$2.5 million
Call-Driven Adjusted EBITDA ¹	\$2.5-\$3.5 million

¹ These non-GAAP Call-Driven measures assign all Marchex corporate overhead costs to the Call-Driven results. Reconciliations of non-GAAP measures are included in the financial tables attached to this press release and we encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures.

Conference Call and Webcast Information

Management will hold a conference call, starting at 5:00 p.m. ET on Thursday, May 1, 2014 to discuss its first quarter ended March 31, 2014 financial results, and other company updates. Access to the live webcast of the conference call will be available online from the Investors section of Marchex's website at www.marchex.com. An archived version of the webcast will also be available at the same location, beginning two hours after completion of the call.

About Marchex

[Marchex](http://www.marchex.com) is a mobile advertising technology company. The company provides a suite of products and services for businesses that depend on consumer phone calls to drive sales. Marchex's mobile advertising platform delivers new customer phone calls to businesses, while its technology analyzes the data in these calls to help maximize ad campaign results. Marchex disrupts traditional advertising models by giving businesses full transparency into their ad campaign performance and charging them based on new customer acquisition.

Please visit www.marchex.com, blog.marchex.com or [@marchex](https://twitter.com/marchex) on Twitter (Twitter.com/Marchex), where Marchex discloses material information from time to time about the company, its financial information, and its business.

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, 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 May 1, 2014 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, Revenue including and excluding domain gains and sales, Adjusted OIBA, EBITDA including and excluding domain gains and sales and Adjusted non-GAAP EPS including and excluding domain gains and sales. Marchex also provides Call-Driven Adjusted OIBA and EBITDA.

OIBA represents income (loss) from operations plus (1) stock-based compensation expense and (2) amortization of intangible assets from acquisitions. 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 separation related costs as this item is not indicative of Marchex's recurring core operating results. 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 expenses such as stock-based compensation, amortization of intangible assets from acquisitions and separation related costs. Adjusted EBITDA represents income before interest, income taxes, depreciation, amortization, stock compensation expense and separation related cost. 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. Historically, these Non-GAAP measures excluded gain/loss on sales and disposals of intangible assets for each asset and any domain sales contribution.

Revenue including domain gains and sales represents GAAP revenue plus sales proceeds from the sale of domains recognized in gain/loss on sales and disposals of intangible assets. Revenue excluding domain gains and sales represents GAAP revenue excluding domain sales sold through Marchex's Domain Marketplace which are recognized in GAAP revenue. Adjusted OIBA and EBITDA including domain gains and sales and Adjusted OIBA and EBITDA excluding domain gains and sales includes the above descriptions of Adjusted OIBA and EBITDA and includes/excludes domain sales contribution and gain/loss on sales and disposals of intangible assets. Call-Driven Adjusted OIBA and EBITDA includes the above descriptions of Adjusted OIBA and EBITDA for the Call-Driven segment. The Call-Driven Adjusted OIBA and EBITDA assigns all Marchex general corporate overhead costs to the Call-Driven results. Financial analysts and investors may use the non-GAAP historical Revenue including/excluding domain gains and sales and Adjusted OIBA and EBITDA including/excluding domain gains and sales to help with comparative financial evaluation to make informed investment decisions. Adjusted non-GAAP EPS represents Adjusted non-GAAP net income applicable to common stockholders divided by GAAP diluted shares outstanding. Adjusted non-GAAP net income applicable to common stockholders generally captures those items on the statement of operations that have been, or ultimately will be, settled in cash exclusive of certain items that are not indicative of Marchex's recurring core operating results and represents net income applicable to common stockholders plus the net of tax effects of: (1) stock-based compensation expense, (2) amortization of intangible assets from acquisitions, (3) separation related costs, (4) interest and other income (expense), (5) discontinued operations, net of tax and (6) dividends paid to participating securities, and also excludes the effect of any tax valuation allowance. 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. Adjusted Non-GAAP EPS excluding domain gains and sales includes the above description of Adjusted non-GAAP EPS and excludes domain sales contribution and gain/loss on sales and disposals of intangible assets.

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. Marchex's non-GAAP financial measures may be defined differently from time to time and may be defined differently than similar titled terms used by other companies, and accordingly, care should be exercised in understanding how Marchex defines its non-GAAP financial measures in this release. 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.

MARCHEX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2014
Revenue	\$ 34,732	\$ 50,496
Expenses:		
Service costs (1)	20,148	32,354
Sales and marketing (1)	2,644	3,382
Product development (1)	6,808	7,560
General and administrative (1)	4,797	5,361
Amortization of intangible assets from acquisitions	1,055	403
Separation related costs	345	-
Total operating expenses	35,797	49,060
Gain on sales and disposals of intangible assets, net	1,362	-

Income from operations	297	1,436
Interest expense and other, net	(17)	(2)
Income from continuing operations before provision for income taxes	280	1,434
Income tax expense	164	588
Net income from continuing operations	116	846
Discontinued operations, net of tax	(31)	9
Net income	85	855
Dividends paid to participating securities	-	(36)
Net income applicable to common stockholders	\$ 85	\$ 819

Basic net income per Class A and Class B share applicable to common stockholders:

Continuing operations	\$ 0.00	\$ 0.02
Discontinued operations, net of tax	(0.00)	0.00

Basic net income per Class A and Class B share applicable to common stockholders \$ 0.00 \$ 0.02

Diluted net income per Class A and Class B share applicable to common stockholders:

Continuing operations	\$ 0.00	\$ 0.02
Discontinued operations, net of tax	(0.00)	0.00

Diluted net income per Class A and Class B share applicable to common stockholders \$ 0.00 \$ 0.02

Dividends paid per share \$ - \$ 0.02

Shares used to calculate basic net income per share applicable to common stockholders

Class A	9,570	7,741
Class B	25,585	29,035

Shares used to calculate diluted net income per share applicable to common stockholders

Class A	9,570	7,741
Class B	35,550	39,761

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

Service costs	\$ 180	\$ 282
Sales and marketing	60	204
Product development	372	659
General and administrative	1,295	1,738
Total	\$ 1,907	\$ 2,883

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

Assets	December 31, 2013	March 31, 2014
Current assets:		
Cash and cash equivalents	\$ 30,912	\$ 38,526
Accounts receivable, net	30,005	35,045
Prepaid expenses and other current assets	2,943	2,810
Refundable taxes	97	86
Deferred tax assets	1,016	1,292
Total current assets	64,973	77,759
Property and equipment, net	5,440	5,441
Deferred tax assets	25,138	23,750
Intangibles and other assets, net	484	1,440
Goodwill	65,679	65,679
Intangible assets from acquisitions, net	434	31
Total Assets	\$ 162,148	\$ 174,100

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 15,922	\$ 22,094
Accrued expenses and other current liabilities	7,988	9,974

Deferred revenue	1,388	1,631
Total current liabilities	25,298	33,699
Other non-current liabilities	2,095	1,455
Total Liabilities	27,393	35,154
Class A common stock	80	58
Class B common stock	309	332
Treasury stock	(2)	-
Additional paid-in capital	305,517	308,850
Accumulated deficit	(171,149)	(170,294)
Total Stockholders' Equity	134,755	138,946
Total Liabilities and Stockholders' Equity	\$ 162,148	\$ 174,100

MARCHEX, INC. AND SUBSIDIARIES

Reconciliation of GAAP Income from Operations to Operating Income Before Amortization (OIBA) and Adjusted Operating Income Before Amortization (Adjusted OIBA) (in thousands) (unaudited)

	Three Months Ended March 31,	
	2013	2014
Income from operations	\$ 297	\$ 1,436
Stock-based compensation	1,907	2,883
Amortization of intangible assets from acquisitions	1,055	403
Operating income before amortization (OIBA)	3,259	4,722
Separation related costs	345	-
Adjusted operating income before amortization (Adjusted OIBA)	\$ 3,604	\$ 4,722
Domain sales contribution	-	(1,893)
Gain on sales and disposals of intangible assets, net	(1,362)	-
Adjusted OIBA excluding domain gains and sales	\$ 2,242	\$ 2,829

Certain reclassifications have been made to prior periods to conform to current presentation.

MARCHEX, INC. AND SUBSIDIARIES

Reconciliation from Net Cash provided by Operating Activities to Adjusted EBITDA (in thousands) (unaudited)

	Three Months Ended March 31,	
	2013	2014
Net cash provided by operating activities	\$ 2,141	\$ 8,078
Changes in assets and liabilities	463	(2,984)
Income tax expense	164	588
Separation related costs	345	-
Interest expense and other, net	17	2
Gain on sales and disposals of intangible assets, net	1,362	-
Discontinued operations, net of tax	17	(9)
Excess tax benefits related to stock compensation	7	-
Adjusted EBITDA	\$ 4,516	\$ 5,675

Domain sales contribution	-	(1,893)
Gain on sales and disposals of intangible assets, net	(1,362)	-
Adjusted EBITDA excluding domain gains and sales	<u>\$ 3,154</u>	<u>\$ 3,782</u>
Net cash provided by (used in) investing activities	<u>\$ 512</u>	<u>\$ (807)</u>
Net cash provided by (used in) financing activities	<u>\$ (1,483)</u>	<u>\$ 343</u>

Certain reclassifications have been made to prior periods to conform to current presentation.

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP EPS to Adjusted Non-GAAP EPS
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2014
Adjusted Non-GAAP EPS from continuing operations	<u>\$ 0.07</u>	<u>\$ 0.08</u>
Net income from continuing operations applicable to common stockholders - diluted (GAAP EPS)	\$ 0.00	\$ 0.02
Shares used to calculate diluted net income per share applicable to common stockholders	35,550	39,761
Net income applicable to common stockholders	\$ 85	\$ 819
Stock-based compensation	1,907	2,883
Separation related costs	345	-
Amortization of intangible assets from acquisitions	1,055	403
Interest expense and other, net	17	2
Dividends paid to participating securities	-	36
Tax valuation allowance	425	-
Discontinued operations, net of tax	31	(9)
Estimated impact of income taxes	(1,524)	(1,068)
Adjusted Non-GAAP net income from continuing operations	\$ 2,341	\$ 3,066
Domain sales contribution	-	(1,893)
Gain on sales and disposals of intangible assets, net	(1,362)	-
Estimated impact of income taxes on domain gains and sales	477	664
Adjusted Non-GAAP net income from continuing operations excluding domain gains and sales	<u>\$ 1,456</u>	<u>\$ 1,837</u>
Adjusted Non-GAAP EPS from continuing operations	\$ 0.07	\$ 0.08
Adjusted Non-GAAP EPS from continuing operations excluding domain gains and sales	<u>\$ 0.04</u>	<u>\$ 0.05</u>
Diluted shares used to calculate Adjusted Non-GAAP EPS (1)	<u>35,550</u>	<u>39,761</u>

(1) For the purpose of computing the number of diluted shares for Adjusted Non-GAAP EPS, Marchex uses the accounting guidance that would be applicable for computing the number of diluted shares for GAAP EPS.

Certain reclassifications have been made to prior periods to conform to current presentation.

MARCHEX, INC. AND SUBSIDIARIES
(in thousands)
(unaudited)

**Reconciliation of GAAP Income (Loss) from Operations to Operating Income before Amortization (OIBA)
and Adjusted Operating Income Before Amortization (Adjusted OIBA)**

	3 months ended				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Income (loss) from operations	\$ 297	\$ (98)	\$ 1,006	\$ 1,544	\$ 1,436
Stock-based compensation	1,907	2,603	2,365	2,362	2,883
Amortization of intangible assets from acquisitions	1,055	736	709	426	403
Operating income before amortization (OIBA)	3,259	3,241	4,080	4,332	4,722
Separation related costs	345	309	286	(62)	-
Adjusted operating income before amortization (Adjusted OIBA)	\$ 3,604	\$ 3,550	\$ 4,366	\$ 4,270	\$ 4,722
Domain sales contribution	-	-	(839)	(1,549)	(1,893)
Gain on sales and disposals of intangible assets, net	(1,362)	(1,330)	(1,047)	(35)	-
Adjusted OIBA excluding domain gains and sales	\$ 2,242	\$ 2,220	\$ 2,480	\$ 2,686	\$ 2,829

Reconciliation from Net Cash provided by Operating Activities to Adjusted EBITDA

	3 months ended				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Net cash provided by operating activities	\$ 2,141	\$ 1,014	\$ 4,332	\$ 6,109	\$ 8,078
Changes in assets and liabilities	463	1,393	(1,374)	(1,636)	(2,984)
Income tax expense	164	243	389	958	588
Separation related costs	345	309	286	-	-
Gain on sales and disposals of intangible assets, net	1,362	1,330	1,047	35	-
Discontinued operations, net of tax	17	(11)	43	(7)	(9)
Tax effect of gain on sale of discontinued operations	-	-	563	-	-
Interest expense and other, net	17	12	15	(14)	2
Excess tax benefits related to stock compensation	7	189	13	(209)	-
Adjusted EBITDA	\$ 4,516	\$ 4,479	\$ 5,314	\$ 5,236	\$ 5,675
Domain sales contribution	-	-	(839)	(1,549)	(1,893)
Gain on sales and disposals of intangible assets, net	\$ (1,362)	\$ (1,330)	\$ (1,047)	\$ (35)	\$ -
Adjusted EBITDA excluding domain gains and sales	\$ 3,154	\$ 3,149	\$ 3,428	\$ 3,652	\$ 3,782
Net cash provided by (used in) investing activities	\$ 512	\$ 449	\$ 1,235	\$ (549)	\$ (807)
Net cash provided by (used in) financing activities	\$ (1,483)	\$ 179	\$ 842	\$ 202	\$ 343

MARCHEX, INC. AND SUBSIDIARIES
Quarterly Financial Summary Information
(in thousands)

NON-GAAP MEASURES

Amounts below exclude Discontinued Operations

CONSOLIDATED	Q113	Q213	Q313	Q413	Q114
GAAP Revenue	\$ 34,732	\$ 37,578	\$ 40,560	\$ 39,680	\$ 50,496
Adjusted OIBA	\$ 3,604	\$ 3,550	\$ 4,366	\$ 4,270	\$ 4,722
Adjusted EBITDA	\$ 4,516	\$ 4,479	\$ 5,314	\$ 5,236	\$ 5,675
CALL-DRIVEN AND RELATED	Q113	Q213	Q313	Q413	Q114

GAAP Revenue	\$ 31,108	\$ 33,893	\$ 35,668	\$ 34,457	\$ 45,492
Adjusted OIBA	\$ 1,371	\$ 1,508	\$ 1,693	\$ 1,725	\$ 2,411
Adjusted EBITDA	\$ 2,247	\$ 2,400	\$ 2,598	\$ 2,618	\$ 3,312

ARCHEO	Q113	Q213	Q313	Q413	Q114
GAAP Revenue	\$ 3,624	\$ 3,685	\$ 4,892	\$ 5,223	\$ 5,004
Adjusted OIBA	\$ 2,233	\$ 2,042	\$ 2,673	\$ 2,545	\$ 2,311
Adjusted EBITDA	\$ 2,269	\$ 2,079	\$ 2,716	\$ 2,618	\$ 2,363

Due to rounding, the sum of quarterly amounts may not equal amounts reported for year-to-date periods.

MARCHEX, INC. AND SUBSIDIARIES
Quarterly Financial Summary Information
(in thousands)

NON-GAAP MEASURES

Amounts below exclude Domain Gains and Sales and Discontinued Operations

CONSOLIDATED	Q113	Q213	Q313	Q413	Q114
Non-GAAP Revenue	\$ 34,732	\$ 37,578	\$ 39,661	\$ 38,124	\$ 48,598
Adjusted OIBA	\$ 2,242	\$ 2,220	\$ 2,480	\$ 2,686	\$ 2,829
Adjusted EBITDA	\$ 3,155	\$ 3,149	\$ 3,428	\$ 3,652	\$ 3,782

CALL-DRIVEN AND RELATED	Q113	Q213	Q313	Q413	Q114
GAAP Revenue	\$ 31,108	\$ 33,893	\$ 35,668	\$ 34,457	\$ 45,492
Adjusted OIBA	\$ 1,371	\$ 1,508	\$ 1,693	\$ 1,725	\$ 2,411
Adjusted EBITDA	\$ 2,247	\$ 2,400	\$ 2,598	\$ 2,618	\$ 3,312

ARCHEO	Q113	Q213	Q313	Q413	Q114
Non-GAAP Revenue	\$ 3,624	\$ 3,685	\$ 3,993	\$ 3,667	\$ 3,106
Adjusted OIBA	\$ 871	\$ 712	\$ 787	\$ 961	\$ 418
Adjusted EBITDA	\$ 908	\$ 749	\$ 830	\$ 1,034	\$ 470

Due to rounding, the sum of quarterly amounts may not equal amounts reported for year-to-date periods.

MARCHEX, INC. AND SUBSIDIARIES
Financial Summary by Segment
(in thousands)
(unaudited)

	Three months ended				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Marchex - Consolidated⁵					
Revenue - GAAP ²	\$ 34,732	\$ 37,578	\$ 40,560	\$ 39,680	\$ 50,496
Revenue including domain gains ³	\$ 36,094	\$ 38,908	\$ 41,607	\$ 39,715	\$ 50,496
Adjusted OIBA including domain gains and sales ⁴	\$ 3,604	\$ 3,550	\$ 4,366	\$ 4,270	\$ 4,722
Adjusted OIBA excluding domain gains and sales ⁴	\$ 2,242	\$ 2,220	\$ 2,480	\$ 2,686	\$ 2,829
Adjusted EBITDA including domain gains and sales ⁴	\$ 4,516	\$ 4,479	\$ 5,314	\$ 5,236	\$ 5,675
Adjusted EBITDA excluding domain gains and sales ⁴	\$ 3,154	\$ 3,149	\$ 3,428	\$ 3,652	\$ 3,782
Call-Driven and Related¹					
Revenue - GAAP	\$ 31,108	\$ 33,893	\$ 35,668	\$ 34,457	\$ 45,492
Adjusted OIBA	\$ 1,371	\$ 1,508	\$ 1,693	\$ 1,725	\$ 2,411
Adjusted EBITDA	\$ 2,246	\$ 2,400	\$ 2,598	\$ 2,618	\$ 3,312

Archeo^{1,5}

Revenue - GAAP ²	\$ 3,624	\$ 3,685	\$ 4,892	\$ 5,223	\$ 5,004
Revenue including domain gains ³	\$ 4,986	\$ 5,015	\$ 5,939	\$ 5,258	\$ 5,004
Adjusted OIBA including domain gains and sales ⁴	\$ 2,233	\$ 2,042	\$ 2,673	\$ 2,545	\$ 2,311
Adjusted OIBA excluding domain gains and sales ⁴	\$ 871	\$ 712	\$ 787	\$ 961	\$ 418
Adjusted EBITDA including domain gains and sales ⁴	\$ 2,270	\$ 2,079	\$ 2,716	\$ 2,618	\$ 2,363
Adjusted EBITDA excluding domain gains and sales ⁴	\$ 908	\$ 749	\$ 830	\$ 1,034	\$ 470

1 The financial results for Call-Driven and Archeo are preliminary and have been derived from the unaudited condensed consolidated financial statements of Marchex, Inc. for all periods presented.

The unaudited Call-Driven financial results include certain direct operating expenses and general corporate overhead expenses in all periods presented.

The unaudited Archeo financial results include direct operating expenses for all periods presented.

2 In September 2013, Marchex announced and launched its Domains Marketplace and through it, commenced buying and selling of domains.

Domain sales occurring after this date are included in GAAP revenue and related cost in service cost. Prior to this date, domain sales were recognized in gain on sales and disposals of intangible assets in the unaudited condensed consolidated financial statements.

3 Domain sales recognized in gain on sales and disposals of intangible assets, net.

4 Domain sales recognized in either gain on sales and disposals of intangible assets, net or in revenue and service costs in the unaudited condensed consolidated financial statements for each applicable period.

5 Amounts presented exclude results of discontinued operations. Operating results of discontinued operations relate to certain pay-per-click assets sold in July 2013 and are included in discontinued operations, net of tax in the unaudited condensed consolidated financial statements.

Due to rounding, the sum of quarterly amounts may not equal amounts reported for year-to-date periods.

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation to Reported Financial and Non-GAAP Information
(in thousands)
(unaudited)

	Three months ended				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Revenue ⁶					
Consolidated - GAAP¹	\$ 34,732	\$ 37,578	\$ 40,560	\$ 39,680	\$ 50,496
Add: Domain Gains ²	1,362	1,330	1,047	35	-
Consolidated including Domain Gains and Sales ³	36,094	38,908	41,607	39,715	50,496
Less: Archeo including Domain Gains and Sales ^{3,4}	4,986	5,015	5,939	5,258	5,004
Call-Driven ⁴ and related	\$ 31,108	\$ 33,893	\$ 35,668	\$ 34,457	\$ 45,492
Adjusted operating income ⁶					
Consolidated excluding Domain Gains and Sales ⁵	\$ 2,242	\$ 2,220	\$ 2,480	\$ 2,686	\$ 2,829
Add: Domain Gains and Sales ⁵	1,362	1,330	1,886	1,584	1,893
Consolidated including Domain Gains and Sales	3,604	3,550	4,366	4,270	4,722
Less: Archeo including Domain Gains and Sales ^{4,5}	2,233	2,042	2,673	2,545	2,311
Call-Driven ⁴ and related	\$ 1,371	\$ 1,508	\$ 1,693	\$ 1,725	\$ 2,411
Adjusted EBITDA ⁶					
Consolidated excluding Domain Gains and Sales ⁵	\$ 3,154	\$ 3,149	\$ 3,428	\$ 3,652	\$ 3,782
Add: Domain Gains and Sales ⁵	1,362	1,330	1,886	1,584	1,893
Consolidated including Domain Gains and Sales	4,516	4,479	5,314	5,236	5,675
Less: Archeo including Domain Gains and Sales ^{4,5}	2,270	2,079	2,716	2,618	2,363
Call-Driven ⁴ and related	\$ 2,246	\$ 2,400	\$ 2,598	\$ 2,618	\$ 3,312

1 In September 2013, Marchex announced and launched its Domains Marketplace and through it, commenced buying and selling of domains. Domain sales occurring after this date are included in GAAP revenue and related cost in service cost. Prior to this date, domain sales were recognized in gain on sales and disposals of intangible assets in the unaudited condensed consolidated financial statements.

2 Domain sales recognized in gain on sales and disposals of intangible assets, net in the unaudited consolidated financial statements.

- 3 Domain sales recognized in either gain on sales and disposals of intangible assets or in revenue and service costs in the unaudited condensed consolidated financial statements for each applicable period.
- 4 The financial results for Call-Driven and Archeo are preliminary and have been derived from the unaudited condensed consolidated financial statements of Marchex, Inc. for all periods presented.
The unaudited Call-Driven financial results include certain direct operating expenses and general corporate overhead expenses in all periods presented.
The unaudited Archeo financial results include direct operating expenses for all periods presented.
- 5 These are non-GAAP measures of operating results and liquidity. These non-GAAP measures are adjusted for net gains from sales of intangible assets, direct contribution of domain sales sold through Marchex's Domains Marketplace.
- 6 Amounts presented exclude results of discontinued operations. Financial results of discontinued operations related to certain pay-per-click assets sold in July 2013 and are included in discontinued operations, net of tax in the unaudited consolidated condensed financial statements.

Due to rounding, the sum of quarterly amounts may not equal amounts reported for year-to-date periods.

Source: Marchex, Inc.

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