



Marchex Announces Second Quarter 2015 Results

August 5, 2015

SEATTLE--(BUSINESS WIRE)--Aug. 5, 2015-- [Marchex, Inc.](#) (NASDAQ:MCHX), a mobile advertising analytics company, today announced its financial results for the second quarter ended June 30, 2015.

"We are seeing greater demand for Marchex's mobile advertising analytics from enterprise marketers across the world. This is leading to increased adoption of our products with the channels and clients we view as most strategically important," said Pete Christothoulou, Chief Executive Officer. "Advertising leaders want products that provide an unparalleled level of visibility into the entire mobile consumer journey and increasingly, these leaders are choosing Marchex to improve their mobile performance and drive overall growth."

Q2 2015 Financial Highlights¹

- GAAP revenue was \$35.3 million for the second quarter of 2015, compared to \$47.0 million for the second quarter of 2014. In the second quarter Marchex sold the bulk of its domain portfolio, which included a sale to GoDaddy Inc. for proceeds of \$28.1 million.
- GAAP net income including discontinued operations was \$20.9 million for the second quarter of 2015 compared to a GAAP net income including discontinued operations of \$980,000 in second quarter of 2014. GAAP net loss from continuing operations was \$1.3 million for the second quarter of 2015, compared to GAAP net loss from continuing operations of \$102,000 for the second quarter of 2014.
- GAAP net income including discontinued operations attributable to common stockholders per diluted share for the second quarter of 2015 was \$0.50, compared to \$0.02 for the second quarter of 2014. GAAP net loss from continuing operations attributable to common stockholders per diluted share was \$0.03 for the second quarter of 2015 compared to GAAP net loss from continuing operations of \$0.00 for the second quarter of 2014.

| | Q2 2015 | Q2 2014 |
|--|----------------|----------------|
| GAAP Revenue | \$35.3 million | \$47.0 million |
| Call-Driven and related revenue | \$34.5 million | \$45.9 million |
| Non-GAAP Results: | | |
| Call-Driven Adjusted OIBA² | \$1.4 million | \$2.9 million |
| Call-Driven Adjusted EBITDA² | \$2.4 million | \$3.8 million |
| Adjusted OIBA² | \$1.3 million | \$3.1 million |
| Adjusted EBITDA² | \$2.3 million | \$4.0 million |
| Archeo Revenue | \$0.8 million | \$1.1 million |
| Domain transaction proceeds³ | \$28.1 million | |
| Domain sales proceeds⁴ | \$0.4 million | \$2.2 million |

- Adjusted non-GAAP EPS² including discontinued operations¹ for the second quarter of 2015 was \$0.37, compared to \$0.07 for the second quarter of 2014. Adjusted non-GAAP EPS² from continuing operations for the second quarter of 2015 was \$0.02, compared to \$0.05 for the second quarter of 2014.

¹The Company sold certain Archeo domain name and related assets in April 2015 and certain pay-per-click assets in July 2013. As a result, the financial results of these dispositions 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.

²Reconciliations 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.

³Represents proceeds from the sale of certain Archeo domain name and related assets recognized in discontinued operations.

⁴Represents proceeds from domain sales recognized in discontinued operations.

Marchex Q2 2015 and Recent Business Highlights:

- Strategic integrations. In July, Marchex announced a strategic, exclusive global partnership with Light Reaction, a mobile-first performance advertising business that is part of Xaxis, to launch M-Call, a new click-to-call mobile performance

product that enables advertisers to generate high quality phone leads directly from mobile Web and in-app ads across hundreds of top publishers, social media sites and apps. Through the partnership, Light Reaction and Xaxis clients also gain access to Marchex Call Analytics, a real-time mobile advertising platform that measures sales, audiences and consumer intent from mobile, click-to-call campaigns. M-Call and Call Analytics are available to both Light Reaction and Xaxis clients, including GroupM agencies.

- Increased global scale. In June, Marchex announced its expansion into Europe, Canada, Australia and New Zealand to support enterprise marketers that need to tie mobile advertising spend to sales at scale - globally and seamlessly. Marchex now has clients utilizing its products within multiple geographies including CDK Global, Hearst, Yell and Intuit.
- YP contributed \$10.4 million in call-driven revenues in the second quarter of 2015, compared to \$10.2 million in the second quarter 2014.

Non-Operating Q2 2015 Highlights:

- During the second quarter, Marchex purchased 79,000 shares of its outstanding Class B common stock for a total price of \$355,000. This brings Marchex's total shares repurchased under its November 2014 share repurchase program to 973,000 shares or 3% of its outstanding Class B common stock.

Business Outlook

The following forward-looking statements reflect Marchex's expectations as of August 5, 2015, and exclude any impact from Archeo operating results and discontinued operations. **Archeo operating results are not included in our Call-Driven revenue, profitability, and other measures below:**

| <u>Call-Driven financial guidance for the Third Quarter ending September 30, 2015</u> | |
|--|------------------------|
| Call-Driven Revenue | \$34.5 million or more |
| Call-Driven Adjusted OIBA ⁵ | \$1.0 million or more |
| Call-Driven Adjusted EBITDA ⁵ | \$2.0 million or more |

⁵ 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 Wednesday, August 5, 2015 to discuss its second quarter ended June 30, 2015 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 analytics company that connects online behavior to real-world, offline actions. By linking critical touchpoints in the customer journey, Marchex's products enable a 360-degree view of marketing effectiveness. Brands and agencies utilize Marchex's products to transform business performance.

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, dispositions, 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 August 5, 2015 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, Adjusted non-GAAP EPS and Call-Driven and Archeo Adjusted OIBA and EBITDA. Additionally, Marchex also provides Call-Driven and Archeo Revenue excluding revenue generated from our contracts with Yellowpages.com LLC ("YP"). In conjunction with the sale of the bulk of Marchex's domain portfolio and certain related assets in April 2015, Marchex has also presented Adjusted OIBA and EBITDA from discontinued operations and Adjusted non-GAAP EPS including discontinued operations.

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 acquisition and disposition 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 acquisition and disposition related costs. Adjusted EBITDA represents income before interest, income taxes, depreciation, amortization, stock compensation expense, and acquisition and disposition 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.

Call-Driven Adjusted OIBA and EBITDA include the above descriptions of Adjusted OIBA and EBITDA for the Call-Driven segment. The Call-Driven Adjusted OIBA and EBITDA assign all Marchex general corporate overhead costs to the Call-Driven results. Archeo Adjusted OIBA and EBITDA include the above descriptions of Adjusted OIBA and EBITDA for the Archeo segment. Adjusted OIBA and EBITDA from discontinued operations include revenue and adjusted OIBA and EBITDA contributed by discontinued operations. Call-Driven and Archeo Revenue excluding YP excludes revenue generated through our contracts with YP. Financial analysts and investors may use Adjusted OIBA and EBITDA and Revenue excluding YP 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) acquisition and disposition related costs, (4) interest and other income (expense), (5) discontinued operations, net of tax and (6) dividends paid to participating securities. Adjusted non-GAAP EPS including discontinued operations includes the above description of Adjusted non-GAAP EPS but includes the results of discontinued operations. 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. 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 | |
|--|---------------------------|-------------|
| | June 30, | |
| | 2014 | 2015 |
| Revenue | \$ 47,042 | \$ 35,346 |
| Expenses: | | |
| Service costs (1) | 31,455 | 19,797 |
| Sales and marketing (1) | 2,711 | 4,245 |
| Product development (1) | 7,458 | 8,147 |
| General and administrative (1) | 5,386 | 4,505 |
| Amortization of intangible assets from acquisitions | 31 | - |
| Acquisition and disposition related costs | (68) | 118 |
| Total operating expenses | 46,973 | 36,812 |
| Income (loss) from operations | 69 | (1,466) |
| Interest expense and other, net | (22) | (16) |
| Income (loss) from continuing operations before provision for income taxes | 47 | (1,482) |
| Income tax expense (benefit) | 149 | (185) |
| Net loss from continuing operations | (102) | (1,297) |
| Discontinued operations: | | |
| Income (loss) from discontinued operations, net of tax | 1,082 | (92) |
| Gain on sale from discontinued operations, net of tax | - | 22,257 |
| Discontinued operations, net of tax | 1,082 | 22,165 |
| Net income | 980 | 20,868 |
| Dividends paid to participating securities | (33) | (19) |
| Net income applicable to common stockholders | \$ 947 | \$ 20,849 |

Basic and diluted net income (loss) per Class A and Class B share applicable to common stockholders:

| | | |
|--|----------|-----------|
| Continuing operations | \$ 0.00 | \$ (0.03) |
| Discontinued operations, net of tax | \$ 0.02 | 0.53 |
| Basic and diluted net income per Class A and Class B share applicable to common stockholders | \$ 0.02 | \$ 0.50 |
| Dividends paid per share | \$ 0.02 | \$ 0.02 |
| Shares used to calculate basic net income (loss) per share applicable to common stockholders | | |
| Class A | 5,243 | 5,233 |
| Class B | 35,441 | 36,072 |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | | |
| Class A | 5,243 | 5,233 |
| Class B | 40,684 | 41,305 |
| (1) Includes stock-based compensation allocated as follows: | | |
| Service costs | \$ 360 | \$ 552 |
| Sales and marketing | 231 | 309 |
| Product development | 691 | 644 |
| General and administrative | 1,831 | 1,162 |
| Total | \$ 3,113 | \$ 2,667 |

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

| | Six Months Ended | |
|---|-------------------------|-----------------|
| | June 30, | |
| | 2014 | 2015 |
| Revenue | \$95,137 | \$71,261 |
| Expenses: | | |
| Service costs (1) | 62,957 | 39,163 |
| Sales and marketing (1) | 5,946 | 7,703 |
| Product development (1) | 15,018 | 15,839 |
| General and administrative (1) | 10,747 | 10,204 |
| Amortization of intangible assets from acquisitions | 434 | - |
| Acquisition and disposition related costs | (68) | 118 |
| Total operating expenses | 95,034 | 73,027 |
| Income (loss) from operations | 103 | (1,766) |
| Interest expense and other, net | (24) | (41) |
| Income (loss) from continuing operations before provision for income taxes | 79 | (1,807) |
| Income tax expense (benefit) | 260 | (180) |
| Net loss from continuing operations | (181) | (1,627) |
| Discontinued operations: | | |
| Income from discontinued operations, net of tax | 2,016 | 5,047 |
| Gain on sale from discontinued operations, net of tax | - | 22,032 |
| Discontinued operations, net of tax | 2,016 | 27,079 |
| Net income | 1,835 | 25,452 |
| Dividends paid to participating securities | (69) | (37) |
| Net income applicable to common stockholders | <u>\$ 1,766</u> | <u>\$25,415</u> |
| Basic and diluted net income (loss) per Class A and Class B share applicable to common stockholders | | |
| Continuing operations | \$ 0.00 | \$ (0.04) |
| Discontinued operations, net of tax | \$ 0.05 | 0.66 |
| Basic and diluted net income per Class A and Class B share applicable to common stockholders: | \$ 0.05 | \$ 0.62 |
| Dividends paid per share | \$ 0.04 | \$ 0.04 |
| Shares used to calculate basic net income (loss) per share applicable to common stockholders | | |
| Class A | 6,483 | 5,233 |
| Class B | 32,277 | 35,919 |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | | |
| Class A | 6,483 | 5,233 |
| Class B | 38,760 | 41,152 |
| (1) Includes stock-based compensation allocated as follows: | | |

| | | |
|----------------------------|-----------------|-----------------|
| Service costs | \$ 640 | \$ 772 |
| Sales and marketing | 434 | 554 |
| Product development | 1,350 | 1,223 |
| General and administrative | 3,569 | 2,909 |
| Total | <u>\$ 5,993</u> | <u>\$ 5,458</u> |

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

| Assets | December 31, | June 30, |
|--|---------------------|-------------------|
| | 2014 | 2015 |
| Current assets: | | |
| Cash and cash equivalents | \$ 80,032 | \$ 104,431 |
| Accounts receivable, net | 25,941 | 30,513 |
| Prepaid expenses and other current assets | 3,143 | 2,615 |
| Refundable taxes | 131 | 120 |
| Total current assets | <u>109,247</u> | <u>137,679</u> |
| Property and equipment, net | 5,430 | 6,471 |
| Intangibles and other assets, net | 313 | 245 |
| Goodwill | 65,679 | 63,305 |
| Total Assets | <u>\$ 180,669</u> | <u>\$ 207,700</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,766 | \$ 13,369 |
| Accrued expenses and other current liabilities | 7,515 | 7,942 |
| Deferred revenue | 2,117 | 1,305 |
| Total current liabilities | <u>23,398</u> | <u>22,616</u> |
| Other non-current liabilities | 1,118 | 898 |
| Total Liabilities | <u>24,516</u> | <u>23,514</u> |
| Class A common stock | 55 | 55 |
| Class B common stock | 373 | 372 |
| Treasury stock | (2,503) | (144) |
| Additional paid-in capital | 348,467 | 348,690 |
| Accumulated deficit | (190,239) | (164,787) |
| Total Stockholders' Equity | <u>156,153</u> | <u>184,186</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 180,669</u> | <u>\$ 207,700</u> |

MARCHEX, INC. AND SUBSIDIARIES
Reconciliation of GAAP Income (Loss) from Operations to Operating Income Before Amortization (OIBA)
and Adjusted Operating Income Before Amortization (Adjusted OIBA)
(in thousands)
(unaudited)

| | Three Months Ended | |
|---|---------------------------|--------------|
| | June 30, | |
| | 2014 | 2015 |
| Income (loss) from operations | \$ 69 | \$ (1,466) |
| Stock-based compensation | 3,113 | 2,667 |
| Amortization of intangible assets from acquisitions | 31 | - |
| Operating income before amortization (OIBA) | <u>3,213</u> | <u>1,201</u> |
| Acquisition and disposition related costs | (68) | 118 |

| | | |
|--|-------------------------|-----------------|
| Adjusted operating income before amortization (Adjusted OIBA) | \$ 3,145 | \$ 1,319 |
| | Six Months Ended | |
| | June 30, | |
| | 2014 | 2015 |
| Income (loss) from operations | \$ 103 | \$ (1,766) |
| Stock-based compensation | 5,993 | 5,458 |
| Amortization of intangible assets from acquisitions | 434 | - |
| Operating income before amortization (OIBA) | 6,530 | 3,692 |
| Acquisition and disposition related costs | (68) | 118 |
| Adjusted operating income before amortization (Adjusted OIBA) | \$ 6,462 | \$ 3,810 |

MARCHEX, INC. AND SUBSIDIARIES

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

| | | |
|--|---------------------------|-----------------|
| | Three Months Ended | |
| | June 30, | |
| | 2014 | 2015 |
| Net cash provided by (used in) operating activities | \$ 3,289 | \$ (1,814) |
| Changes in assets and liabilities | 1,672 | 3,883 |
| Income tax expense (benefit) | 149 | (185) |
| Acquisition and disposition related costs | - | 118 |
| Interest expense and other, net | 22 | 16 |
| Loss (income) from discontinued operations, net of tax | (1,120) | 91 |
| Tax effect on gain on sale of discontinued operations | - | 163 |
| Adjusted EBITDA | \$ 4,012 | \$ 2,272 |
| Net cash provided by (used in) investing activities | \$ (545) | \$ 23,767 |
| Net cash provided by (used in) financing activities | \$ 33,680 | \$ (1,181) |

| | | |
|---|-------------------------|-----------------|
| | Six Months Ended | |
| | June 30, | |
| | 2014 | 2015 |
| Net cash provided by operating activities | \$ 11,367 | \$ 4,437 |
| Changes in asset and liabilities | (1,312) | 6,111 |
| Income tax expense (benefit) | 260 | (180) |
| Acquisition and disposition related costs | - | 118 |
| Interest expense and other, net | 24 | 41 |
| Income on discontinued operations, net of tax | (2,109) | (5,065) |
| Tax effect on gain on sale of discontinued operations | - | 163 |
| Adjusted EBITDA | \$ 8,230 | \$ 5,625 |
| Net cash provided by (used in) investing activities | \$ (1,352) | \$ 22,840 |
| Net cash provided by (used in) financing activities | \$ 34,023 | \$ (2,878) |

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

Three Months Ended
June 30,

| | <u>2014</u> | <u>2015</u> |
|---|-----------------|------------------|
| Adjusted Non-GAAP EPS from continuing operations | \$ 0.05 | \$ 0.02 |
| Net income (loss) from continuing operations applicable to common stockholders - diluted (GAAP EPS) | \$ 0.00 | \$ (0.03) |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | 40,684 | 41,305 |
| Net income applicable to common stockholders | \$ 947 | \$ 20,849 |
| Stock-based compensation | 3,113 | 2,667 |
| Acquisition and disposition related costs | (68) | 118 |
| Amortization of intangible assets from acquisitions | 31 | - |
| Interest expense and other, net | 22 | 16 |
| Dividends paid to participating securities | 33 | 19 |
| Discontinued operations, net of tax | (1,082) | (22,165) |
| Estimated impact of income taxes | (973) | (646) |
| Adjusted Non-GAAP net income from continuing operations | \$ 2,023 | \$ 858 |
| Discontinued operations, net of tax | 1,086 | 22,164 |
| Estimated impact of income taxes | - | (7,706) |
| Adjusted Non-GAAP net income including discontinued operations | <u>\$ 3,109</u> | <u>\$ 15,316</u> |
| Adjusted Non-GAAP EPS from continuing operations | \$ 0.05 | \$ 0.02 |
| Adjusted Non-GAAP EPS including discontinued operations | <u>\$ 0.07</u> | <u>\$ 0.37</u> |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders (GAAP) | 40,684 | 41,305 |
| Weighted average stock options and common shares subject to purchase or cancellation (if applicable) | 2,769 | 415 |
| Diluted shares used to calculate Adjusted Non-GAAP EPS (1) | <u>43,453</u> | <u>41,720</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
Reconciliation of GAAP EPS to Adjusted Non-GAAP EPS
(in thousands, except per share data)
(unaudited)

| | Six Months Ended | |
|---|-------------------------|------------------|
| | June 30, | |
| | <u>2014</u> | <u>2015</u> |
| Adjusted Non-GAAP EPS from continuing operations | \$ 0.10 | \$ 0.06 |
| Net income (loss) from continuing operations applicable to common stockholders - diluted (GAAP EPS) | \$ 0.00 | \$ (0.04) |
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders | 38,760 | 41,152 |
| Net income (loss) applicable to common stockholders | \$ 1,766 | \$ 25,415 |
| Stock-based compensation | 5,993 | 5,458 |
| Acquisition and disposition related costs | (68) | 118 |
| Amortization of intangible assets from acquisitions | 434 | - |
| Interest expense and other, net | 24 | 41 |
| Dividends paid to participating securities | 69 | 37 |
| Discontinued operations, net of tax | (2,016) | (27,079) |
| Estimated impact of income taxes | (2,041) | (1,516) |
| Adjusted Non-GAAP net income from continuing operations | \$ 4,161 | \$ 2,474 |
| Discontinued operations, net of tax | 2,023 | 27,081 |
| Estimated impact of income taxes | - | (9,521) |
| Adjusted Non-GAAP net income including discontinued operations | <u>\$ 6,184</u> | <u>\$ 20,034</u> |
| Adjusted Non-GAAP EPS from continuing operations | \$ 0.10 | \$ 0.06 |
| Adjusted Non-GAAP EPS including discontinued operations | <u>\$ 0.15</u> | <u>\$ 0.48</u> |

| | | |
|---|---------------|---------------|
| Shares used to calculate diluted net income (loss) per share applicable to common stockholders (GAAP) | 38,760 | 41,152 |
| Weighted average stock options and common shares subject to purchase or cancellation (if applicable) | 2,898 | 366 |
| Diluted shares used to calculate Adjusted Non-GAAP EPS (1) | <u>41,658</u> | <u>41,518</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
Quarterly Financial Summary Information
(in thousands)
(unaudited)

NON-GAAP MEASURES

| CONSOLIDATED¹ | Q214 | Q314 | Q414 | Q115 | Q215 |
|--|-------------|-------------|-------------|-------------|-------------|
| GAAP Revenue | \$47,042 | \$47,238 | \$31,226 | \$35,915 | \$35,346 |
| Adjusted OIBA | \$ 3,145 | \$ 3,214 | \$ 2,355 | \$ 2,491 | \$ 1,319 |
| Adjusted EBITDA | \$ 4,012 | \$ 4,105 | \$ 3,253 | \$ 3,353 | \$ 2,272 |
| CALL-DRIVEN AND RELATED | Q214 | Q314 | Q414 | Q115 | Q215 |
| GAAP Revenue | \$45,856 | \$46,379 | \$30,324 | \$35,028 | \$34,458 |
| Adjusted OIBA | \$ 2,896 | \$ 3,280 | \$ 2,511 | \$ 2,632 | \$ 1,400 |
| Adjusted EBITDA | \$ 3,763 | \$ 4,171 | \$ 3,409 | \$ 3,494 | \$ 2,353 |
| ARCHEO EXCLUDING DISCONTINUED OPERATIONS¹ | Q214 | Q314 | Q414 | Q115 | Q215 |
| GAAP Revenue | \$ 1,186 | \$ 859 | \$ 902 | \$ 887 | \$ 888 |
| Adjusted OIBA | \$ 249 | \$ (66) | \$ (156) | \$ (141) | \$ (81) |
| Adjusted EBITDA | \$ 249 | \$ (66) | \$ (156) | \$ (141) | \$ (81) |
| CALL-DRIVEN REVENUE EXCLUDING YP | Q214 | Q314 | Q414 | Q115 | Q215 |
| GAAP Revenue | \$45,856 | \$46,379 | \$30,324 | \$35,028 | \$34,458 |
| Revenue excluding YP | \$35,634 | \$35,162 | \$19,261 | \$24,271 | \$24,096 |
| YP Revenue | \$10,222 | \$11,217 | \$11,063 | \$10,757 | \$10,362 |
| ARCHEO REVENUE EXCLUDING YP AND DISCONTINUED OPERATIONS¹ | Q214 | Q314 | Q414 | Q115 | Q215 |
| GAAP Revenue | \$ 1,186 | \$ 859 | \$ 902 | \$ 887 | \$ 888 |
| Revenue excluding YP | \$ 716 | \$ 608 | \$ 524 | \$ 525 | \$ 515 |
| YP Revenue | \$ 470 | \$ 251 | \$ 378 | \$ 362 | \$ 373 |
| DISCONTINUED OPERATIONS¹ | Q214 | Q314 | Q414 | Q115 | Q215 |
| Revenue from Discontinued Operations | \$ 2,634 | \$ 1,943 | \$ 2,065 | \$ 6,659 | \$ 422 |
| Adjusted OIBA from Discontinued Operations | \$ 1,646 | \$ 1,035 | \$ 1,113 | \$ 5,142 | \$ (56) |
| Adjusted EBITDA from Discontinued Operations | \$ 1,680 | \$ 1,050 | \$ 1,127 | \$ 5,156 | \$ (53) |

¹ In April 2015, Marchex divested certain Archeo domain name and related assets. The operating results of the divested assets are included in discontinued operations net of tax in the unaudited consolidated financial statements. The financial results for the discontinued operations are preliminary, subject to updates, and have been derived from the unaudited consolidated financial statements of Marchex, Inc. for all periods presented.

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

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)**

| | Three Months Ended | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 6/30/2014 | 9/30/2014 | 12/31/2014 | 3/31/2015 | 6/30/2015 |
| Income (loss) from operations | \$ 69 | \$ 193 | \$ (521) | \$ (300) | \$ (1,466) |
| Stock-based compensation | 3,113 | 3,021 | 2,876 | 2,791 | 2,667 |
| Amortization of intangible assets from acquisitions | 31 | - | - | - | - |
| Operating income before amortization (OIBA) | 3,213 | 3,214 | 2,355 | 2,491 | 1,201 |
| Acquisition and disposition related costs | (68) | - | - | - | 118 |
| Adjusted OIBA - Consolidated | \$ 3,145 | \$ 3,214 | \$ 2,355 | \$ 2,491 | \$ 1,319 |
| Less: Archeo Adjusted OIBA ¹ | 249 | (66) | (156) | (141) | (81) |
| Call-Driven ¹ and related Adjusted OIBA | \$ 2,896 | \$ 3,280 | \$ 2,511 | \$ 2,632 | \$ 1,400 |

Reconciliation from Net Cash provided by Operating Activities to Adjusted EBITDA

| | Three Months Ended | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 6/30/2014 | 9/30/2014 | 12/31/2014 | 3/31/2015 | 6/30/2015 |
| Net cash provided by (used in) operating activities | \$ 3,289 | \$ 6,750 | \$ 4,302 | \$ 6,251 | \$ (1,814) |
| Changes in assets and liabilities | 1,672 | (24,736) | 58 | 2,228 | 3,883 |
| Income tax expense (benefit) | 149 | 22,980 | - | 5 | (185) |
| Disposition related costs | - | - | - | - | 118 |
| Discontinued operations | (1,120) | (1,050) | (1,127) | (5,156) | 91 |
| Tax effect of gain on sale of discontinued operations | - | 143 | - | - | 163 |
| Interest expense and other, net | 22 | 18 | 20 | 25 | 16 |
| Adjusted EBITDA - Consolidated | \$ 4,012 | \$ 4,105 | \$ 3,253 | \$ 3,353 | \$ 2,272 |
| Less: Archeo Adjusted EBITDA ¹ | 249 | (66) | (156) | (141) | (81) |
| Call-Driven ¹ and related Adjusted EBITDA | \$ 3,763 | \$ 4,171 | \$ 3,409 | \$ 3,494 | \$ 2,353 |

Summary of Revenue by Segment

| | Three Months Ended | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | 6/30/2014 | 9/30/2014 | 12/31/2014 | 3/31/2015 | 6/30/2015 |
| Call-Driven ¹ and related Revenue | \$ 45,856 | \$ 46,379 | \$ 30,324 | \$ 35,028 | \$ 34,458 |
| Archeo Revenue ¹ | 1,186 | 859 | 902 | 887 | 888 |
| Revenue - Consolidated | \$ 47,042 | \$ 47,238 | \$ 31,226 | \$ 35,915 | \$ 35,346 |

¹ The financial results for Call-Driven and Archeo have been derived from the unaudited condensed consolidated financial statements. The Call-Driven financial results include certain direct operating expenses and general corporate overhead expenses. The Archeo financial results include direct operating expenses.

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

MARCHEX, INC. AND SUBSIDIARIES Consolidated Continuing and Discontinued Operations (in thousands) (unaudited)

| | Three months ended | | | | | Six months ended | |
|---|--------------------|-----------|------------|-----------|-----------|------------------|-----------|
| | 6/30/2014 | 9/30/2014 | 12/31/2014 | 3/31/2015 | 6/30/2015 | 6/30/2014 | 6/30/2015 |
| Consolidated Continuing Operations | | | | | | | |
| Revenue | \$ 47,042 | \$ 47,238 | \$ 31,226 | \$ 35,915 | \$ 35,346 | \$ 95,137 | \$ 71,261 |
| Adjusted OIBA | \$ 3,145 | \$ 3,214 | \$ 2,355 | \$ 2,491 | \$ 1,319 | \$ 6,462 | \$ 3,810 |
| Adjusted EBITDA | \$ 4,012 | \$ 4,105 | \$ 3,253 | \$ 3,353 | \$ 2,272 | \$ 8,230 | \$ 5,625 |
| Archeo Continuing Operations¹ | | | | | | | |
| Revenue | \$ 1,186 | \$ 859 | \$ 902 | \$ 887 | \$ 888 | \$ 3,788 | \$ 1,775 |

| | | | | | | | | | | | | | | |
|-----------------|----|-----|----|------|----|-------|----|-------|----|------|----|-------|----|-------|
| Adjusted OIBA | \$ | 249 | \$ | (66) | \$ | (156) | \$ | (141) | \$ | (81) | \$ | 1,155 | \$ | (222) |
| Adjusted EBITDA | \$ | 249 | \$ | (66) | \$ | (156) | \$ | (141) | \$ | (81) | \$ | 1,206 | \$ | (222) |

Discontinued Operations²

| | | | | | | | | | | | | | | |
|-----------------|----|-------|----|-------|----|-------|----|-------|----|------|----|-------|----|-------|
| Revenue | \$ | 2,634 | \$ | 1,943 | \$ | 2,065 | \$ | 6,659 | \$ | 422 | \$ | 5,035 | \$ | 7,081 |
| Adjusted OIBA | \$ | 1,646 | \$ | 1,035 | \$ | 1,113 | \$ | 5,142 | \$ | (56) | \$ | 3,038 | \$ | 5,086 |
| Adjusted EBITDA | \$ | 1,680 | \$ | 1,050 | \$ | 1,127 | \$ | 5,156 | \$ | (53) | \$ | 3,124 | \$ | 5,103 |

Reconciliation of GAAP Income (Loss) from Discontinued Operations, Net of Tax to Adjusted Operating Income Before Amortization (Adjusted OIBA) and Adjusted EBITDA

| | Three months ended | | | | | Six months ended | |
|--|--------------------|--------------|--------------|--------------|-------------|------------------|--------------|
| | 6/30/2014 | 9/30/2014 | 12/31/2014 | 3/31/2015 | 6/30/2015 | 6/30/2014 | 6/30/2015 |
| Discontinued Operations² | | | | | | | |
| Income (loss) from discontinued operations, net of tax | \$ 1,082 | \$ 1,031 | \$ 1,109 | \$ 5,139 | \$ (92) | \$ 2,016 | \$ 5,047 |
| Income tax expense | 560 | - | - | - | 37 | 1,014 | 37 |
| Income (loss) from discontinued operations before provision for income taxes | 1,642 | 1,031 | 1,109 | 5,139 | (55) | 3,030 | 5,084 |
| Stock-based compensation | 4 | 4 | 4 | 3 | (1) | 8 | 2 |
| Adjusted Operating income before amortization (OIBA) | 1,646 | 1,035 | 1,113 | 5,142 | (56) | 3,038 | 5,086 |
| Domain Amortization | 34 | 15 | 14 | 14 | 3 | 86 | 17 |
| Adjusted EBITDA | 1,680 | 1,050 | 1,127 | 5,156 | (53) | 3,124 | 5,103 |

1 The financial results of Archeo are preliminary and have been derived from the unaudited consolidated financial statements of Marchex, Inc. for all periods presented. The unaudited Archeo financial results include direct operating expenses for all periods presented.

2 Operating results of discontinued operations relate to certain pay-per-click assets sold in July 2013 and certain Archeo domain names and related assets sold in April 2015 are included in discontinued operations net of tax in the unaudited consolidated financial statements.

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

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