

J2 GLOBAL, INC.  
Form 10-Q  
May 11, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended March 31, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-25965

j2 GLOBAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction

of incorporation or organization)

6922 Hollywood Boulevard, Suite 500

Los Angeles, California 90028

(Address of principal executive offices)

47-1053457

(I.R.S. Employer

Identification No.)

(323) 860-9200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

Edgar Filing: J2 GLOBAL, INC. - Form 10-Q

Large accelerated filer  Accelerated filer  Non-Accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of May 5, 2015, the registrant had 48,206,638 shares of common stock outstanding.

---

j2 GLOBAL, INC.

FOR THE QUARTER ENDED MARCH 31, 2015

## INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets (unaudited) <u>3</u>
	Condensed Consolidated Statements of Income (unaudited) <u>4</u>
	Condensed Consolidated Statements of Comprehensive Income (unaudited) <u>5</u>
	Condensed Consolidated Statements of Cash Flows (unaudited) <u>6</u>
	Notes to Condensed Consolidated Financial Statements (unaudited) <u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <u>47</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>58</u>
Item 4.	Controls and Procedures <u>59</u>
PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings <u>60</u>
Item 1A.	Risk Factors <u>60</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds <u>60</u>
Item 3.	Defaults Upon Senior Securities <u>60</u>
Item 4.	Mine Safety Disclosures <u>60</u>
Item 5.	Other Information <u>60</u>
Item 6.	Exhibits <u>61</u>
	Signature <u>62</u>

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## j2 GLOBAL, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands except share and per share data)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$392,017	\$433,663
Short-term investments	85,759	96,206
Accounts receivable, net of allowances of \$3,802 and \$3,685, respectively	82,572	91,699
Prepaid expenses and other current assets	24,611	22,602
Deferred income taxes	2,146	2,013
Total current assets	587,105	646,183
Long-term investments	61,718	60,508
Property and equipment, net	36,618	38,217
Trade names, net	105,854	105,551
Patent and patent licenses, net	22,968	24,927
Customer relationships, net	184,328	163,766
Goodwill	669,374	635,675
Other purchased intangibles, net	16,146	17,556
Other assets	14,125	12,819
Total assets	\$1,698,236	\$1,705,202
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$81,008	\$95,310
Income taxes payable	2,959	—
Deferred revenue, current	73,278	63,457
Capital lease, current	441	258
Deferred income taxes	185	342
Total current liabilities	157,871	159,367
Long-term debt	595,266	593,350
Capital lease, non-current	66	141
Liability for uncertain tax positions	40,145	37,551
Deferred income taxes	63,109	61,960
Deferred revenue, non-current	8,905	10,182
Other long-term liabilities	17,915	22,416
Total liabilities	883,277	884,967
Commitments and contingencies		
Preferred stock - Series A, \$0.01 par value. Authorized 6,000; total issued and outstanding zero	—	—
Preferred stock - Series B, \$0.01 par value. Authorized 20,000; total issued and outstanding zero	—	—
Common stock, \$0.01 par value. Authorized 95,000,000; total issued and outstanding 47,435,192 and 47,409,514 shares, respectively	474	474
Additional paid-in capital	275,420	273,304
Retained earnings	561,049	553,584
Accumulated other comprehensive loss	(21,984	) (7,127
Total stockholders' equity	814,959	820,235
Total liabilities and stockholders' equity	\$1,698,236	\$1,705,202

See Notes to Condensed Consolidated Financial Statements

-3-

---

j2 GLOBAL, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited, in thousands except share and per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Total revenues	\$ 161,253	\$ 134,124
Cost of revenues (including share-based compensation of \$83 and \$154 for the three months of 2015 and 2014, respectively)	28,186	23,388
Gross profit	133,067	110,736
Operating expenses:		
Sales and marketing (including share-based compensation of \$584 and \$491 for the three months of 2015 and 2014, respectively)	37,590	32,959
Research, development and engineering (including share-based compensation of \$194 and \$140 for the three months of 2015 and 2014, respectively)	8,447	7,213
General and administrative (including share-based compensation of \$2,143 and \$1,599 for the three months of 2015 and 2014, respectively)	46,500	28,979
Total operating expenses	92,537	69,151
Income from operations	40,530	41,585
Interest expense (income), net	10,313	4,948
Other expense (income), net	(784	) (319
Income before income taxes	31,001	36,956
Income tax expense	9,124	8,191
Net income	\$ 21,877	\$ 28,765