

J2 GLOBAL COMMUNICATIONS INC  
Form 10-Q  
August 05, 2009

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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 June 30, 2009

OR

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 COMMUNICATIONS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

51-0371142  
(I.R.S. Employer  
Identification No.)

6922 Hollywood Boulevard, Suite 500  
Los Angeles, California 90028  
(Address of principal executive offices)

(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

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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  (Not Applicable)

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

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 Exchange Act).  
Yes  No

As of July 31, 2009, the registrant had 45,062,060 shares of common stock outstanding.

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j2 GLOBAL COMMUNICATIONS, INC.

FOR THE QUARTER ENDED JUNE 30, 2009

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

j2 Global Communications, Inc.  
Condensed Consolidated Balance Sheets  
(Unaudited, in thousands)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 192,576	\$ 150,780
Short-term investments	21	14
Accounts receivable, net of allowances of \$3,104 and \$2,896 respectively	13,905	14,083
Prepaid expenses and other current assets	8,497	6,683
Deferred income taxes	2,958	2,958
Total current assets	217,957	174,518
Long-term investments	2,207	11,081
Property and equipment, net	16,551	18,938
Goodwill	81,151	72,783
Other purchased intangibles, net	38,526	36,791
Deferred income taxes	9,008	7,787
Other assets	109	142
Total assets	\$365,509	\$ 322,040
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 17,675	\$ 16,915
Income taxes payable	1,451	1,800
Deferred revenue	13,168	13,680
Total current liabilities	32,294	32,395
Accrued income tax liability	41,996	38,643
Other long-term liabilities	881	1,022
Total liabilities	75,171	72,060
Commitments and contingencies	—	—
Preferred stock, \$0.01 par value. Authorized 1,000,000 and none issued	—	—
Common stock, \$0.01 par value. Authorized 95,000,000 at June 30, 2009 and December 31, 2008; total issued 52,698,217 and 52,305,293 shares at June 30, 2009 and December 31, 2008, respectively, and total outstanding 44,017,649 and 43,624,725 shares at June 30, 2009 and December 31, 2008, respectively	527	523
Additional paid-in capital	139,876	131,185
Treasury stock, at cost (8,680,568 shares at June 30, 2009 and December 31, 2008)	(112,671)	(112,671)
Retained earnings	264,632	234,843
Accumulated other comprehensive loss	(2,026)	(3,900)
Total stockholders' equity	290,338	249,980
Total liabilities and stockholders' equity	\$365,509	\$ 322,040

See Notes to Condensed Consolidated Financial Statements

j2 Global Communications, Inc.  
Condensed Consolidated Statements of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Subscriber	\$61,049	\$59,537	\$120,689	\$116,752
Other	1,415	1,140	2,166	2,573
	62,464	60,677	122,855	119,325
Cost of revenues (including share-based compensation of \$331 and \$612 for the three and six months of 2009, respectively, and \$212 and \$387 for the three and six months of 2008, respectively)	11,600	11,725	22,992	23,356
Gross profit	50,864	48,952	99,863	95,969
Operating expenses:				
Sales and marketing (including share-based compensation of \$484 and \$861 for the three and six months of 2009, respectively, and \$328 and \$666 for the three and six months of 2008, respectively)	9,211	10,585	18,096	20,799
Research, development and engineering (including share-based compensation of \$221 and \$417 for the three and six months of 2009, respectively, and \$191 and \$405 for the three and six months of 2008, respectively)	2,880	3,011	5,823	6,158
General and administrative (including share-based compensation of \$1,870 and \$3,311 for the three and six months of 2009, respectively, and \$1,243 and \$2,543 for the three and six months of 2008, respectively)	11,209	11,292	21,915	22,449
Total operating expenses	23,300	24,888	45,834	49,406
Operating earnings	27,564	24,064	54,029	46,563
Other-than-temporary impairment losses	(9,193 )	—	(9,193 )	—
Interest and other income, net	315	563	457	1,891
Earnings before income taxes	18,686	24,627	45,293	48,454
Income tax expense	7,549	7,897	15,504	14,930
Net earnings	\$11,137	\$16,730	\$29,789	\$33,524
Net earnings per common share:				
Basic	\$0.25	\$0.38	\$0.68	\$0.73
Diluted	\$0.25	\$0.37	\$0.66	\$0.71
Weighted average shares outstanding:				
Basic	43,762,333	44,142,748	43,695,076	45,700,933
Diluted	45,044,005	45,688,869	44,806,260	47,026,104

See Notes to Condensed Consolidated Financial Statements

j2 Global Communications, Inc.  
Condensed Consolidated Statement of Cash Flows  
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net earnings	\$29,789	\$33,524
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	7,363	6,340
Share-based compensation	5,201	4,001
Excess tax benefits from share-based compensation	(2,723)	(443)
Provision for doubtful accounts	593	1,614
Deferred income taxes	(1,221)	(1,062)
Loss on disposal of fixed assets	15	28
Gain on trading securities	(8)	—
Other-than-temporary impairment losses	9,193	—
Decrease (increase) in:		
Accounts receivable	(516)	(1,134)
Prepaid expenses and other current assets	436	1,576
Other assets	33	46
(Decrease) increase in:		
Accounts payable and accrued expenses	579	5,106
Income taxes payable	189	(616)
Deferred revenue	(777)	(767)
Accrued income tax liability	3,354	3,067
Other	14	(29)
Net cash provided by operating activities	51,514	51,251
Cash flows from investing activities:		
Sales of available-for-sale investments	—	36,170
Redemptions/Sales of held-to-maturity investments	—	27,883
Purchases of property and equipment	(938)	(1,265)
Acquisition of businesses, net of cash received	(11,910)	(33,278)
Proceeds from sale of assets	1,011	—
Purchases of intangible assets	(2,272)	(1,664)
Net cash (used in) provided by investing activities	(14,109)	27,846
Cash flows from financing activities:		
Repurchases of common stock	—	(97,336)
Repurchase of restricted stock	(92)	(82)
Issuance of common stock under employee stock purchase plan	61	112
Exercise of stock options	802	973
Excess tax benefits from share-based compensation	2,723	443
Net cash provided by (used in) financing activities	3,494	(95,890)
Effect of exchange rate changes on cash and cash equivalents	897	