
**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, 2021

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, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

47-1053457
(I.R.S. Employer
Identification No.)

**700 S. Flower Street, 15th Floor
Los Angeles, California 90017**
(Address of principal executive offices)
(323) 860-9200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.01 par value

Trading Symbol(s)
JCOM

Name of each exchange on which registered
Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒
Emerging growth company ☐

Accelerated filer ☐

Non-Accelerated filer ☐

Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 5, 2021, the registrant had 48,204,191 shares of common stock outstanding.

**J2 GLOBAL, INC. AND SUBSIDIARIES
FOR THE QUARTER ENDED JUNE 30, 2021**

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J2 GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands except share and per share data)

	June 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	\$ 347,857	\$ 242,652
Short-term investments	—	663
Accounts receivable, net of allowances of \$16,255 and \$16,018, respectively	249,005	325,619
Prepaid expenses and other current assets	56,177	53,909
Current assets held for sale	8,939	—
Total current assets	661,978	622,843
Long-term investments	117,396	97,495
Property and equipment, net	171,645	156,577
Operating lease right-of-use assets	82,961	105,845
Trade names, net	183,335	187,902
Customer relationships, net	322,281	377,194
Goodwill	1,837,539	1,867,430
Other purchased intangibles, net	170,530	176,473
Deferred income taxes, noncurrent	40,755	56,545
Other assets	16,759	17,027
Noncurrent assets held for sale	98,187	—
TOTAL ASSETS	\$ 3,703,366	\$ 3,665,331
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 198,220	\$ 230,651
Income taxes payable, current	11,471	31,753
Deferred revenue, current	193,531	190,644
Operating lease liabilities, current	30,818	32,211
Current portion of long-term debt	402,134	396,801
Other current liabilities	52	497
Current liabilities held for sale	8,793	—
Total current liabilities	845,019	882,557
Long-term debt	1,189,727	1,182,220
Deferred revenue, noncurrent	16,635	14,440
Operating lease liabilities, noncurrent	81,752	99,177
Income taxes payable, noncurrent	11,675	11,675
Liability for uncertain tax positions	53,515	57,081
Deferred income taxes, noncurrent	158,173	162,700
Other long-term liabilities	39,718	44,463
Noncurrent liabilities held for sale	12,652	—
TOTAL LIABILITIES	2,408,866	2,454,313
Commitments and contingencies	—	—
Preferred stock, \$0.01 par value. Authorized 1,000,000 and none issued	—	—
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 44,708,236 and 44,346,630 shares at June 30, 2021 and December 31, 2020, respectively.	447	443
Additional paid-in capital	461,422	456,274
Retained earnings	892,605	809,107
Accumulated other comprehensive loss	(59,974)	(54,806)
TOTAL STOCKHOLDERS' EQUITY	1,294,500	1,211,018
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,703,366	\$ 3,665,331

See Notes to Condensed Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenues	\$ 429,044	\$ 330,984	\$ 827,228	\$ 663,377
Cost of revenues ⁽¹⁾	63,337	56,802	121,160	115,933
Gross profit	365,707	274,182	706,068	547,444
Operating expenses:				
Sales and marketing ⁽¹⁾	134,103	92,805	255,288	192,243
Research, development and engineering ⁽¹⁾	19,644	13,606	40,995	29,012
General and administrative ⁽¹⁾	117,676	94,731	237,021	197,902
Total operating expenses	271,423	201,142	533,304	419,157
Income from operations	94,284	73,040	172,764	128,287
Interest expense, net	(21,403)	(22,196)	(42,970)	(43,167)
Gain on sale of businesses	823	—	2,802	—
Goodwill impairment on business	(32,629)	—	(32,629)	—
Loss on investments, net	(16,677)	(3)	(16,677)	(20,835)
Other income (expense), net	(777)	9,059	(293)	2,183
Income before income taxes and income (loss) from equity method investment, net	23,621	59,900	82,997	66,468
Income tax expense	2,152	15,978	7,876	24,681
Income (loss) from equity method investment, net	(5,752)	(5,821)	18,519	(10,090)
Net income	\$ 15,717	\$ 38,101	\$ 93,640	\$ 31,697
Net income per common share:				
Basic	\$ 0.35	\$ 0.81	\$ 2.10	\$ 0.67
Diluted	\$ 0.33	\$ 0.80	\$ 1.98	\$ 0.65
Weighted average shares outstanding:				
Basic	44,613,533	46,850,944	44,506,933	47,235,859
Diluted	47,528,902	47,437,555	47,130,979	48,279,417

⁽¹⁾ Includes share-based compensation expense as follows:

Cost of revenues	\$ 117	\$ 143	\$ 249	\$ 277
Sales and marketing	371	416	732	814
Research, development and engineering	557	484	1,077	915
General and administrative	5,206	5,487	10,305	10,837
Total	\$ 6,251	\$ 6,530	\$ 12,363	\$ 12,843

See Notes to Condensed Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 15,717	\$ 38,101	\$ 93,640	\$ 31,697
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	3,256	(169)	(5,168)	(8,883)
Change in fair value on available-for-sale investments, net of tax expense of zero for the three and six months ended June 30, 2021 and 2020, respectively.	—	(163)	—	545
Other comprehensive income (loss), net of tax	3,256	(332)	(5,168)	(8,338)
Comprehensive income	\$ 18,973	\$ 37,769	\$ 88,472	\$ 23,359

See Notes to Condensed Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 93,640	\$ 31,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	130,226	104,068
Amortization of financing costs and discounts	14,058	14,102
Non-cash operating lease costs	6,714	11,453
Share-based compensation	12,363	12,843
Provision for doubtful accounts	4,329	6,793
Deferred income taxes, net	(11,853)	2,752
Gain on sale of businesses	(2,802)	—
Lease asset impairments	7,829	2,141
Goodwill impairment on business	32,629	—
Changes in fair value of contingent consideration	562	(232)
Foreign currency remeasurement gain	415	(704)
(Income) loss from equity method investments	(18,519)	10,090
Loss on equity and debt investments	16,677	20,826
Decrease (increase) in:		
Accounts receivable	65,312	63,675
Prepaid expenses and other current assets	(7,720)	(4,185)
Other assets	(701)	(300)
Increase (decrease) in:		
Accounts payable and accrued expenses	(23,438)	(34,682)
Income taxes payable	(15,123)	7,376
Deferred revenue	2,499	(2,698)
Operating lease liabilities	(13,529)	(10,921)
Liability for uncertain tax positions	(3,567)	5,114
Other long-term liabilities	21	2,419
Net cash provided by operating activities	<u>290,022</u>	<u>241,627</u>
Cash flows from investing activities:		
Proceeds on sale of available-for-sale investments	663	—
Purchases of equity method investment	(11,053)	(26,523)
Purchases of equity investments	(999)	(843)
Purchases of property and equipment	(57,766)	(50,537)
Proceeds from sale of assets	6,033	407
Acquisition of businesses, net of cash received	(89,489)	(19,349)
Purchases of intangible assets	—	(23)
Net cash used in investing activities	<u>(152,611)</u>	<u>(96,868)</u>
Cash flows from financing activities:		
Payment of debt	(2,802)	—
Proceeds from line of credit	2,811	—
Repurchase of common stock	(22,934)	(88,469)
Issuance of common stock under employee stock purchase plan	4,232	3,303
Exercise of stock options	1,331	952
Deferred payments for acquisitions	(12,934)	(16,296)
Other	(1,294)	(1,032)
Net cash used in financing activities	<u>(31,590)</u>	<u>(101,542)</u>
Effect of exchange rate changes on cash and cash equivalents	(616)	(2,012)
Net change in cash and cash equivalents	<u>105,205</u>	<u>41,205</u>
Cash and cash equivalents at beginning of period	242,652	575,615
Cash and cash equivalents at end of period	<u>\$ 347,857</u>	<u>\$ 616,820</u>

See Notes to Condensed Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three and Six Months Ended June 30, 2020 and 2021
(unaudited, in thousands, except share amounts)

	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other comprehensive loss	Stockholders' Equity
Balance, April 1, 2020	47,113,423	\$ 471	\$ 462,430	\$ 832,648	\$ (54,468)	\$ 1,241,081
Net income (loss)	—	—	—	38,101	—	38,101
Other comprehensive income, net of tax expense of \$173	—	—	—	—	(332)	(332)
Issuance of shares under employee stock purchase plan	53,694	—	3,303	—	—	3,303
Exercise of 3.25% Convertible Note	—	—	(12)	—	—	(12)
Vested restricted stock	70,505	1	(1)	—	—	—
Repurchase and retirement of common stock	(344,931)	(3)	(4,983)	(20,517)	—	(25,503)
Repurchase of shares	—	—	—	—	—	—
Share based compensation	—	—	6,530	—	—	6,530
Balance, June 30, 2020	46,892,691	469	\$ 467,267	\$ 850,232	\$ (54,800)	\$ 1,263,168
	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other comprehensive loss	Stockholders' Equity
Balance, April 1, 2021	44,489,399	\$ 445	\$ 455,625	\$ 882,071	\$ (63,230)	\$ 1,274,911
Net income	—	—	—	15,717	—	15,717
Other comprehensive income, net of tax expense of \$0	—	—	—	—	3,256	3,256
Exercise of stock options	30,234	—	887	—	—	887
Issuance of shares under employee stock purchase plan	58,145	1	4,231	—	—	4,232
Exercise of 3.25% Convertible Note	19,033	—	—	—	—	—
Vested restricted stock	198,579	2	(2)	—	—	—
Repurchase and retirement of common stock	(87,155)	(1)	(5,570)	(5,183)	—	(10,754)
Share based compensation	—	—	6,251	—	—	6,251
Balance, June 30, 2021	44,708,235	\$ 447	\$ 461,422	\$ 892,605	\$ (59,974)	\$ 1,294,500

	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other	Stockholders'
			capital		comprehensive	Equity
					loss	
Balance, January 1, 2020	47,654,929	\$ 476	\$ 465,652	\$ 891,526	\$ (46,462)	\$ 1,311,192
Net income	—	—	—	31,697	—	31,697
Other comprehensive income, net of tax expense of \$0	—	—	—	—	(8,338)	(8,338)
Exercise of stock options	41,530	—	1,583	(631)	—	952
Issuance of shares under employee stock purchase plan	53,694	—	3,303	—	—	3,303
Vested restricted stock	248,001	3	(3)	—	—	—
Exercise of 3.25% Convertible Note	—	—	(12)	—	—	(12)
Repurchase and retirement of common stock	(1,105,463)	(10)	(16,099)	(72,360)	—	(88,469)
Share based compensation	—	—	12,843	—	—	12,843
Balance, June 30, 2020	46,892,691	\$ 469	\$ 467,267	\$ 850,232	\$ (54,800)	\$ 1,263,168

	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other	Stockholders'
			capital		comprehensive	Equity
					loss	
Balance, January 1, 2021	44,346,630	\$ 443	\$ 456,274	\$ 809,107	\$ (54,806)	\$ 1,211,018
Net income	—	—	—	93,640	—	93,640
Other comprehensive income, net of tax expense of \$0	—	—	—	—	(5,168)	(5,168)
Exercise of stock options	45,351	1	1,330	—	—	1,331
Issuance of shares under employee stock purchase plan	58,145	1	4,231	—	—	4,232
Exercise of 3.25% Convertible Note	19,033	—	—	—	—	—
Vested restricted stock	434,518	4	(4)	—	—	—
Repurchase and retirement of common stock	(195,442)	(2)	(12,790)	(10,142)	—	(22,934)
Share based compensation	—	—	12,363	—	—	12,363
Other, net	—	—	18	—	—	18
Balance, June 30, 2021	44,708,235	\$ 447	\$ 461,422	\$ 892,605	\$ (59,974)	\$ 1,294,500

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021
(UNAUDITED)

1. Basis of Presentation

J2 Global, Inc., together with its subsidiaries (“J2 Global”, the “Company”, “our”, “us”, or “we”), is a leading provider of internet information and services. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets offering content, tools and services to consumers and businesses. Our Cloud Services business provides cloud-based subscription services to consumers and businesses including cloud fax, cybersecurity, privacy and marketing technology.

The accompanying interim Condensed Consolidated Financial Statements include the accounts of J2 Global and its direct and indirect wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim Condensed Consolidated Financial Statements are unaudited and have been prepared in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements although the Company believes that the disclosures made are adequate to make that information not misleading. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been reflected in these interim financial statements. It is suggested that these financial statements be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2020, included in our Annual Report (Form 10-K) filed with the SEC on March 1, 2021. Accordingly, significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed therein.

The results of operations for this interim period are not necessarily indicative of the operating results for the full year or for any future period.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including judgments about investment classifications and the reported amounts of net revenue and expenses during the reporting period. The Company believes that its most significant estimates are those related to revenue recognition, valuation and impairment of investments, its assessment of ownership interests as variable interest entities and the related determination of consolidation, share-based compensation expense, fair value of assets acquired and liabilities assumed in connection with business combinations, long-lived and intangible asset impairment, contingent consideration, income taxes and contingencies and allowances for doubtful accounts. On an ongoing basis, management evaluates its estimates based on historical experience and on various other factors that the Company believes to be reasonable under the circumstances. Actual results could materially differ from those estimates due to risks and uncertainties, including uncertainty in the current economic environment due to the novel coronavirus pandemic (“COVID-19”).

Allowances for Doubtful Accounts

J2 Global maintains an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expenses in the Condensed Consolidated Statements of Operations. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when it identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status. It also considers customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. On an ongoing basis, management evaluates the adequacy of these reserves.

Revenue Recognition

J2 Global recognizes revenue when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services (see Note 3 - Revenues).

Principal vs. Agent

The Company determines whether revenue should be reported on a gross or net basis by assessing whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as the principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. In determining whether the Company acts as the principal or an agent, the Company follows the accounting guidance under Topic 606 for principal-agent considerations and assesses: (i) if another party is involved in providing goods or services to the customer and (ii) whether the Company controls the specified goods or services prior to transferring control to the customer.

Sales Taxes

The Company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are (i) both imposed on and concurrent with a specific revenue-producing transaction and (ii) collected by the Company from a customer.

Investments

The Company accounts for its investments in debt securities in accordance with ASC Topic No. 320, Investments - Debt Securities ("ASC 320"). Debt investments are typically comprised of corporate debt securities, which it classifies as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses included in other comprehensive income. All debt securities are accounted for on a specific identification basis.

The Company's available-for-sale debt securities are carried at an estimated fair value with any unrealized gains or losses, net of taxes, included in accumulated other comprehensive loss in stockholders' equity. Available-for-sale debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on available-for-sale debt securities are recognized in loss on investments, net on our Condensed Consolidated Statements of Operations, and any remaining unrealized losses, net of taxes, are included in accumulated comprehensive loss in stockholders' equity.

The Company accounts for its investments in equity securities in accordance with ASC Topic No. 321, Investments - Equity Securities ("ASC 321") which requires the accounting for equity investments (other than those accounted for using the equity method of accounting) generally be measured at fair value for equity securities with readily determinable fair values. For equity securities without a readily determinable fair value that are not accounted for by the equity method, the Company measures the equity security using cost, less impairment, if any, and plus or minus observable price changes arising from orderly transactions in the same or similar investment from the same issuer. Any unrealized gains or losses will be reported in current earnings (see Note 5 - Investments).

The Company assesses whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions (see Note 5 - Investments).

Variable Interest Entities ("VIE")

A VIE requires consolidation by the entity's primary beneficiary. The Company evaluates its investments in entities in which it is involved to determine if the entity is a VIE and if so, whether it holds a variable interest and is the primary beneficiary. The Company has determined that it holds a variable interest in its investment as a limited partner in the OCV Fund I, LP ("OCV Fund", "OCV" or the "Fund"). In determining whether the Company is deemed to be the primary beneficiary of the VIE, both of the following characteristics must be present:

- a) the Company has the power to direct the activities of the VIE that most significantly impacts the VIEs economic performance (the power criterion); and
- b) the Company has the obligation to absorb losses of the VIE, or the right to receive benefits of the VIE, that could potentially be significant to the VIE (the economic criterion).

The Company has concluded that, as a limited partner, although the obligation to absorb losses or the right to benefit from the gains is not insignificant, the Company does not have “power” over OCV because it does not have the ability to direct the significant decisions which impact the economics of OCV. J2 believes that the OCV general partner, as a single decision maker, holds the ability to make the decisions about the activities that most significantly impact the OCV Fund’s economic performance. As a result, the Company has concluded that it will not consolidate OCV, as it is not the primary beneficiary of the OCV Fund, and will account for this investment under the equity-method of accounting. See Note 5, “Investments”.

OCV qualifies as an investment company under ASC 946 - Financial Services, Investment Companies (“ASC 946”). Under ASC Topic 323, Investments - Equity Method and Joint Ventures, an investor that holds investments that qualify for specialized industry accounting for investment companies in accordance with ASC 946 should record its share of the earnings or losses, realized or unrealized, as reported by its equity method investees in the Condensed Consolidated Statements of Operations.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

Impairment or Disposal of Long-Lived Assets

J2 Global accounts for long-lived assets, which include property and equipment, operating lease right-of-use assets and identifiable intangible assets with finite useful lives (subject to amortization), in accordance with the provisions of FASB ASC Topic No. 360, Property, Plant, and Equipment (“ASC 360”), which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the expected undiscounted future net cash flows generated by the asset. If it is determined that the asset may not be recoverable, and if the carrying amount of an asset exceeds its estimated fair value, an impairment charge is recognized to the extent of the difference.

J2 Global assessed whether events or changes in circumstances have occurred that potentially indicate the carrying amount of long-lived assets may not be recoverable. In the second quarter of 2021, the Company recorded an impairment of certain operating right-of-use assets (see Note 10 - Leases). No impairment was recorded in the second quarter of 2020, other than an immaterial impairment associated with a sublease.

The Company classifies its long-lived assets to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company stops recording depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

Business Combinations and Valuation of Goodwill and Intangible Assets

J2 Global applies the acquisition method of accounting for business combinations in accordance with GAAP and uses estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets, including identifiable intangible assets, and liabilities acquired. Such estimates may be based on significant unobservable inputs and assumptions such as, but not limited to, revenue growth rates, gross margins, customer attrition rates, royalty rates, discount rates and terminal growth rate assumptions. J2 Global uses established valuation techniques and may engage reputable valuation specialists to assist with the valuations. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. Intangible assets subject to amortization are amortized over the period of estimated economic benefit ranging from 1 to 20 years and are included in general and administrative expenses on the Condensed Consolidated Statements of Operations. The Company evaluates its goodwill and indefinite-lived intangible assets for impairment pursuant to FASB ASC Topic No. 350, Intangibles - Goodwill and Other ("ASC 350"), which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested annually for impairment or more frequently if J2 Global believes indicators of impairment exist. In connection with the annual impairment test for goodwill, the Company has the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then it performs the impairment test upon goodwill. The impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation. If the carrying value of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized for the difference. In the second quarter of 2021, the Company recorded an impairment to goodwill associated with the plan to sell the Company's B2B Backup business (see Note 6 – Assets Held for Sale). No impairment was recorded in the second quarter of 2020. In the first quarter of 2021, the Company changed the annual goodwill impairment assessment date for the Cloud Services business from September 30 to October 1, as it determined this date is preferable, and concluded this was not a material change in accounting principal.

Contingent Consideration

Certain of J2 Global's acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future income thresholds or other metrics. The contingent earn-out arrangements are based upon the Company's valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, the Company estimates the fair value of contingent earn-out payments as part of the initial purchase price and records the estimated fair value of contingent consideration as a liability on the Condensed Consolidated Balance Sheets. J2 Global considers several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of the Company's other key employees. The contingent earn-out payments are not affected by employment termination.

J2 Global measures the contingent earn-out liabilities in connection with acquisitions at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (see Note 7 - Fair Value Measurements). The Company may use various valuation techniques depending on the terms and conditions of the contingent consideration including a Monte-Carlo simulation. This simulation uses a probability distribution for each significant input to produce hundreds or thousands of possible outcomes and the results are analyzed to determine probabilities of different outcomes occurring. Significant increases or decreases to these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and the amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in

financing activities in its Condensed Consolidated Statements of Cash Flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

J2 Global reviews and re-assesses the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could be materially different from the initial estimates or prior quarterly amounts. Changes in the estimated fair value of its contingent earn-out liabilities are reported in general and administrative expenses on the Condensed Consolidated Statements of Operations.

Income Taxes

J2 Global's income is subject to taxation in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. J2 Global establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that certain positions might be challenged despite the Company's belief that its tax return positions are fully supportable. J2 Global adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

J2 Global accounts for income taxes in accordance with FASB ASC Topic No. 740, Income Taxes ("ASC 740"), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, J2 Global reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax benefit is required to meet before it can be recognized in the financial statements and applies to all income tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. J2 Global recognized accrued interest and penalties related to uncertain income tax positions in income tax expense on its Condensed Consolidated Statements of Operations.

In addition, on March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was enacted into law and provides for changes to various tax laws that impact businesses. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Company did not seek to borrow any funds under the program. However, as a result of an acquisition that closed during the quarter ended December 31, 2020, the Company assumed outstanding PPP loans that had started the process of being forgiven prior to the closing of the acquisition. During the second quarter of 2021, the Company received approval from the SBA to forgive the entire amount of the outstanding PPP Loan. The amount forgiven did not have a significant impact to the Company's financial statements.

The Company does not believe these provisions have a significant impact to our current and deferred income tax balances. The Company will benefit from the technical correction to tax depreciation related to qualified improvement property and has elected to defer income tax payments and employer side social security payments where eligible.

Share-Based Compensation

J2 Global accounts for share-based awards to employees and non-employees in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation ("ASC 718"). Accordingly, J2 Global measures share-based compensation expense at the grant date, based on the fair value of the award, and recognizes the expense over the employee's requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria, including but not limited to the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate, dividend rate and award cancellation rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, J2 Global may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact the Company's results of operations in the period in which the changes are made and in periods thereafter. The Company estimates the expected term based upon the historical exercise behavior of its employees.

Reclassifications

Certain prior year reported amounts have been reclassified to conform to the 2021 presentation.

2. Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The Company adopted this ASU in the first quarter of 2021 and has identified no material effect on its financial statements or disclosures.

In January 2020, the FASB issued ASU No. 2020-01, Investments - Equity Securities (Topic 321), Investment - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments in this ASU clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the accounting for certain forward contracts and purchased options under Topic 815. This ASU identifies two main areas for improvement: (1) accounting for certain equity securities upon the application or discontinuation of the equity method of accounting and (2) scope considerations for forward contracts and purchased options on certain securities. The amendment states, as it is related to the first area of improvement, that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendment also states, as it relates to forward contracts and purchased options on certain securities, an entity should consider certain criteria to determine the accounting for those forward contracts and purchased options. The Company adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. LIBOR is expected to be phased out by 2021. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The amendments in this ASU reduce the number of accounting models for convertible debt instruments and convertible preferred stock in order to simplify the accounting for convertible instruments and reduce complexity. In addition, it amends the guidance for scope exception surrounding derivatives for contracts in an entity's own equity. In each case, the related guidance surrounding EPS has also been amended. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The Company is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements. The amendments in this ASU improve the consistency of the codification and reorganize the guidance into appropriate sections providing less opportunities for disclosures to be missed. The amendments in this update do not change GAAP and are not expected to result in a significant change in practice. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The Company adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

3. Revenues

Digital Media

Digital Media revenues are earned primarily from the delivery of advertising services, from subscriptions to services and information.

Revenue is earned from the delivery of advertising services on the Company's owned and operated websites and on those websites that are part of Digital Media's advertising network. Depending on the individual contracts with the customer, revenue for these services are recognized over the contract period when any of the following performance obligations are satisfied: (i) when an advertisement is placed for viewing, (ii) when a qualified sales lead is delivered, (iii) when a visitor "clicks through" on an advertisement or (iv) when commissions are earned upon the sale of an advertised product.

Revenue from subscriptions is earned through the granting of access to, or delivery of, data products or services to customers. Subscriptions cover video games and related content, health information, data and other copyrighted material. Revenues under such agreements are recognized over the contract term for use of the service. Revenues are also earned from listing fees, subscriptions to online publications, and from other sources. Subscription revenues are recognized over time.

J2 Global generates Digital Media revenues through the license of certain assets to clients. Assets are licensed for clients' use in their own promotional materials or otherwise. Such assets may include logos, editorial reviews, or other copyrighted material. Revenues under such license agreements are recognized over the contract term for use of the asset. Technology assets are also licensed to clients. These assets are recognized over the term of the access period. The Digital Media business also generates revenue from other sources which include marketing and production services. Such other revenues are generally recognized over the period in which the products or services are delivered.

J2 Global also generates Digital Media revenues from transactions involving the sale of perpetual software licenses, related software support and maintenance, hardware used in conjunction with its software, and other related services. Revenue is recognized for these software transactions with multiple performance obligations after (i) the Company has had an approved contract and is committed to perform the respective obligations and (ii) the Company can identify and quantify each obligation and its respective selling price. Once the respective performance obligations have been identified and quantified, revenue will be recognized when the obligations are met, either over time or at a point in time depending on the nature of the obligation.

Revenues from software license performance obligations are generally recognized upfront at the point in time that the software is made available to the customer to download and use. Revenues for related software support and maintenance performance obligations are related to technical support provided to customers as needed and unspecified software product upgrades, maintenance releases and patches during the term of the support period when they are available. The Company is obligated to make the support services available continuously throughout the contract period. Therefore, revenues for support contracts are generally recognized ratably over the contractual period the support services are provided. Hardware product and related software performance obligations, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a bundled performance obligation. The revenues for this bundled performance obligation are generally recognized at the point in time that the hardware and software products are delivered and ownership is transferred to the customer. Other service revenues are generally recognized over time as the services are performed.

The Company records revenue on a gross basis with respect to revenue generated (i) by the Company serving online display and video advertising across its owned and operated web properties, on third-party sites or on unaffiliated advertising networks, (ii) through the Company's lead-generation business and (iii) through the Company's subscriptions. The Company records revenue on a net basis with respect to revenue paid to the Company by certain third-party advertising networks who serve online display and video advertising across the Company's owned-and-operated web properties and certain third-party sites.

Cloud Services

The Company's Cloud Services revenues substantially consist of monthly recurring subscription and usage-based fees, which are primarily paid in advance by credit card. The Company defers the portions of monthly, quarterly, semi-annually and annually recurring subscription and usage-based fees collected in advance of the satisfaction of performance obligations and recognizes them in the period earned.

Along with our numerous proprietary Cloud Services solutions, the Company also generates revenues by reselling various third-party solutions, primarily through our email security and online backup lines of business. These third-party solutions, along with our proprietary products, allow the Company to offer customers a variety of solutions to better meet their needs. The Company records revenue on a gross basis with respect to reseller revenue because the Company has control of the specified good or service prior to transferring control to the customer.

Revenues from external customers classified by revenue source are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Digital Media				
Advertising	\$ 196,888	\$ 120,919	\$ 371,012	\$ 236,184
Subscription	54,168	41,720	105,049	87,148
Other	2,921	1,348	4,789	3,346
Total Digital Media revenues	\$ 253,977	\$ 163,987	\$ 480,850	\$ 326,678
Cloud Services				
Subscription	\$ 175,268	\$ 167,040	\$ 346,605	\$ 336,788
Other	91	18	183	54
Total Cloud Services revenues	\$ 175,359	\$ 167,058	\$ 346,788	\$ 336,842
Corporate	\$ —	\$ —	\$ —	\$ 1
Elimination of inter-segment revenues	(292)	(61)	(410)	(144)
Total Revenues	\$ 429,044	\$ 330,984	\$ 827,228	\$ 663,377
Timing of revenue recognition				
Point in time	\$ 11,097	\$ 4,473	\$ 17,062	\$ 10,970
Over time	417,947	326,511	810,166	652,407
Total	\$ 429,044	\$ 330,984	\$ 827,228	\$ 663,377

The Company has recorded \$50.5 million and \$45.0 million of revenue for the three months ended June 30, 2021 and 2020, respectively, and \$129.4 million and \$113.5 million of revenue for the six months ended June 30, 2021 and 2020, respectively, which was previously included in the deferred revenue balance as of the beginning of each respective year.

As of June 30, 2021, the Company acquired \$5.7 million in deferred revenue in connection with the Company's business acquisitions (see Note 4 - Business Acquisitions) which are subject to purchase accounting adjustments.

Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, revenues are allocated to each performance obligation based on its relative standalone selling price.

The Company satisfies its performance obligations within the Digital Media business upon delivery of services to its customers. In addition, the Company provides content to its advertising partners which the Company sells to its partners' customer base and receives a revenue share based on the terms of the agreement.

The Company satisfies its performance obligations within the Cloud Services business upon delivery of services to its customers. Payment terms vary by type and location of our customers and the services offered. The term between invoicing and when payment is due is not significant. Due to the nature of the services provided, there are no obligations for returns.

Significant Judgments

In determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgment is also required to determine the standalone selling price for each distinct performance obligation.

Performance Obligations Satisfied Over Time

The Company's Digital Media business consists primarily of performance obligations that are satisfied over time. This was determined based on a review of the contracts and the nature of the services offered, where the customer simultaneously receives and consumes the benefit of the services provided. Satisfaction of these performance obligations is evidenced in the following ways:

Advertising

- Website reporting by the Company, the customer, or a third-party contains the delivery evidence needed to satisfy the performance obligations within the advertising contract
- Successfully delivered leads are evidenced by either delivery reports from the Company's internal lead management systems or through e-mail communication and/or other evidence of delivery showing acceptance of leads by the customer
- Commission is evidenced by direct site reporting from the affiliate or via direct confirmation from the customer

Subscription

- Evidence of delivery is contained in the Company's systems or from correspondence with the customer which tracks when a customer accepts delivery of any assets, digital keys or download links

The Company has concluded revenue is recognized based on delivery of services over the contract period for advertising and on a straight-line basis over the contract period for subscriptions. The Company believes that the methods described are a faithful depiction of the transfer of goods and services.

The Company's Cloud Services business consists primarily of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based and include fax, voice, backup, security, CPP, and email marketing products where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. Depending on the individual contracts with the customer, revenue for these services are recognized over the contract period when any of the following materially distinct performance obligations are satisfied:

- Faxing capabilities are provided
- Voice services are provided
- Email marketing services are provided
- Consumer privacy services are provided
- Security solutions, including email and endpoint are provided
- Online data backup capabilities are provided

The Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. The Company recognizes revenue on a straight-line basis throughout the subscription period and believes that the method used is a faithful depiction of the transfer of goods and services.

Performance Obligations Satisfied at a Point in Time

The Company's Digital Media business has technology subscriptions that have standalone functionality. As a result, they are considered to be functional intellectual property where the performance obligations are satisfied at a point in time. This is evidenced once a digital key is delivered to the customer. Once the key is delivered to the customer, the customer has full control of the technology and the Company has no further performance obligations. The Company has concluded that revenue is recognized once the digital key is delivered. The Company believes that this method is a faithful depiction of the transfer of goods and services.

Practical Expedients

Existence of a Significant Financing Component in a Contract

As a practical expedient, the Company has not assessed whether a contract has a significant financing component because the Company expects at contract inception that the period between payment by the customer and the transfer of promised goods or services by the Company to the customer will be one year or less. In addition, the Company has determined that the payment terms that the Company provides to its customers are structured primarily for reasons other than the provision of finance to the Company. The Company typically charges a single upfront amount for the services because other payment terms would affect the nature of the risk assumed by the Company to provide service given the costs of the customer acquisition and the highly competitive and commoditized nature of the business we operate which allows customers to easily move from one provider to another. This additional risk may make it uneconomical to provide the service.

Costs to Fulfill a Contract

The Company's revenues are primarily generated from customer contracts that are for one year or less. Costs primarily consist of incentive compensation paid based on the achievements of sales targets in a given period for related revenue streams and are recognized in the month when the revenue is earned. Incentive compensation is paid on the issuance or renewal of the customer contract. As a practical expedient, for amortization periods which are determined to be one year or less, the Company expenses any incremental costs of obtaining the contract with a customer when incurred. For those customers with amortization periods determined to be greater than one year, the Company capitalizes and amortizes the expenses over the period of benefit.

In addition, the Company partners with various affiliates in order to generate a portion of its revenue for certain lines of business. The commissions earned by the Company's affiliates are incentive based and are paid on the acquisition of new customers in a given period. For those customers with amortization periods determined to be greater than one year, the Company capitalizes and amortizes the expenses over the period of benefit.

Revenues Invoiced

The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

4. Business Acquisitions

The Company uses acquisitions as a strategy to grow its customer base by increasing its presence in new and existing markets, expand and diversify its service offerings, enhance its technology, and acquire skilled personnel.

The Company completed the following acquisitions during the first six months of fiscal 2021, paying the purchase price in cash in each transaction: (a) an asset purchase of DailyOM, acquired on April 30, 2021, a California-based provider of health and wellness digital media, content and learning business; (b) a share purchase of SEOmoz, acquired on June 4, 2021, a Seattle-based provider of search engine optimization ("SEO") solutions; and (c) an immaterial Digital Media acquisition.

The Condensed Consolidated Statement of Operations since the date of each acquisition and balance sheet as of June 30, 2021, reflect the results of operations of all 2021 acquisitions. For the six months ended June 30, 2021, these acquisitions contributed \$5.8 million to the Company's revenues. Net income contributed by these acquisitions was not separately identifiable due to J2 Global's integration activities and is impracticable to provide. Total consideration for these transactions was \$91.8 million net of cash acquired and assumed liabilities and is subject to certain post-closing adjustments which may increase or decrease the final consideration paid.

Assets and Liabilities	Valuation	
Accounts receivable	\$	3,953
Prepaid expenses and other current assets		1,569
Property and equipment		1,838
Operating lease right-of-use assets, noncurrent		5,888
Trade names		11,514
Customer relationship		5,000
Goodwill		53,013
Other intangibles		29,801
Deferred tax asset		230
Accounts payable and accrued expenses		(2,207)
Deferred revenue		(5,664)
Operating lease liabilities, noncurrent		(7,191)
Deferred tax liability		(4,238)
Other long-term liabilities		(1,726)
Total	\$	91,780

During the six months ended June 30, 2021, the purchase price accounting has been finalized for EDC Systems Inc. (operating under the name "SRFax") and other immaterial Digital Media and Cloud Services businesses. The initial accounting for the 2021 acquisitions are incomplete and subject to change. J2 Global has recorded provisional amounts which may be based upon past acquisitions with similar attributes for certain intangible assets (including trade names, software and customer relationships), preliminary acquisition date working capital and related tax items.

During the six months ended June 30, 2021, the Company recorded adjustments to the initial working capital and to the purchase accounting due to the finalization of prior period acquisitions in the Digital Media business, which resulted in a net increase in goodwill of \$2.6 million. In addition, the Company recorded adjustments to the initial working capital and to the purchase accounting due to the finalization of prior period acquisitions in the Voice, Backup, Security and CPP businesses which resulted in an immaterial adjustment in goodwill. (see Note 8 - Goodwill and Intangible Assets). Such adjustments had an immaterial impact on the amortization expense within the Condensed Consolidated Statement of Operations for the six months ended June 30, 2021.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and represents intangible assets that do not qualify for separate recognition. Goodwill recognized associated with these acquisitions during the six months ended June 30, 2021 is \$53.0 million, of which \$14.1 million is expected to be deductible for income tax purposes.

Pro Forma Financial Information for All 2021 Acquisitions

The following unaudited pro forma supplemental information is based on estimates and assumptions that J2 Global believes to be reasonable. However, this information is not necessarily indicative of the Company's consolidated results of income in future periods or the results that actually would have been realized had J2 Global and the acquired businesses been combined companies during the periods presented. These pro forma results exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2020. This unaudited pro forma supplemental information includes incremental intangible asset amortization and other charges as a result of the acquisitions, net of the related tax effects.

The supplemental information on an unaudited pro forma financial basis presents the combined results of J2 Global and its 2021 acquisitions as if each acquisition had occurred on January 1, 2020 (in thousands, except per share amounts):

	Six Months Ended June 30,			
	2021		2020	
	(unaudited)		(unaudited)	
Revenues	\$	856,052	\$	698,299
Net income	\$	95,335	\$	32,803
EPS - Basic	\$	2.14	\$	0.69
EPS - Diluted	\$	2.02	\$	0.67

5. Investments

Investments consist of equity and debt securities.

The Company determined the equity securities that were received as part of the consideration for the sale of Tea Leaves Health, LLC ("Tea Leaves") in fiscal year 2017 are without a readily determinable fair value because these securities are privately held, not traded on any public exchanges and not an investment in a mutual fund or similar investment. As a result, management has elected to alternatively measure this investment at cost, less impairment, adjusted for subsequent observable price changes to estimate fair value. The Company will make a "reasonable effort" to identify any observable price changes for identical or similar investments with the issuer that are known or can be reasonably known. Any changes in the carrying value of the equity securities will be reported in current earnings as (gain) loss on investments, net. In addition, the Company determined that the shares of redeemable preferred stock that were also received as part of the consideration for the sale of Tea Leaves are corporate debt securities and are classified as available-for-sale securities. These debt securities were subsequently exchanged in a non-cash transaction in the first quarter of 2020.

Furthermore, the COVID-19 pandemic has had an adverse impact on the global financial markets. A prolonged adverse impact of the COVID-19 pandemic could result in a decline in the equity and debt securities estimated fair value and, thus, a resulting charge to earnings in a future period.

The following table summarizes the gross unrealized gains and losses and estimated fair values for the Company's securities without a readily determinable fair value (in thousands):

	Cost	Impairment	Adjustments	Reported Amount
June 30, 2021				
Equity securities	\$ 31,779	\$ (16,677)	\$ (479)	\$ 14,623
Total	\$ 31,779	\$ (16,677)	\$ (479)	\$ 14,623
December 31, 2020				
Equity securities	\$ 50,384	\$ (19,605)	\$ (479)	\$ 30,300
Total	\$ 50,384	\$ (19,605)	\$ (479)	\$ 30,300

During the second quarter of 2021, the Company recorded a \$16.7 million impairment loss on investments related to a decline in value due to a pending sales transaction of an investee. The Company is not expected to recover the recorded cost of these securities and has reduced such amount to what the Company expects to receive as a result of the sale.

During the first six months of 2020, the Company recorded a loss on investments of \$20.8 million, which consists of the following:

1. an impairment loss of \$19.6 million due to changes in the investee's capital structure and overall market volatility;
2. a loss on exchange of redeemable preferred stock, in the amount of \$4.4 million, that that was previously classified as available-for-sale corporate debt securities for a new series of preferred stock classified as equity securities; partially offset by
3. a recognized gain of \$3.2 million due to the Company's purchase of preferred stock for \$0.8 million.

Impairment losses, including gains and losses, are recorded in loss on investments, net on the Condensed Consolidated Statements of Operations.

At June 30, 2021, cumulative impairment losses on these securities were \$40.5 million.

The following table summarizes the gross unrealized gains and losses and fair values for investments classified as available-for-sale investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2021				
Corporate debt securities	\$ —	\$ —	\$ —	\$ —
Total	\$ —	\$ —	\$ —	\$ —
December 31, 2020				
Corporate debt securities	\$ 511	\$ 152	\$ —	\$ 663
Total	\$ 511	\$ 152	\$ —	\$ 663

The Company's available-for-sale debt securities are carried at fair value, with the unrealized gains and losses reported as a component of other comprehensive income.

The following table summarizes J2 Global's corporate debt securities designated as available-for-sale, classified by the contractual maturity date of the security (in thousands):

	June 30, 2021	December 31, 2020
Due within 1 year	\$ —	\$ 663
Due within more than 1 year but less than 5 years	—	—
Due within more than 5 years but less than 10 years	—	—
Due 10 years or after	—	—
Total	\$ —	\$ 663

Recognition and Measurement of Credit Loss of Debt Securities

The Company adopted ASU 2016-13, Financial Instrument-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments in the first quarter of 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. This ASU also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than a reduction in amortized cost basis of the securities. These changes will result in earlier recognition of credit losses, if any.

The Company's available-for-sale debt securities are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive loss in stockholders' equity. Available-for-sale debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on available-for-sale debt securities are recognized in other (income) expense, net on our Condensed Consolidated Statements of Operations, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive loss in stockholders' equity.

There were no investments in an unrealized loss position as of December 31, 2020.

As of December 31, 2020, the Company did not recognize any credit losses related to debt securities.

On September 25, 2017, the Company entered into a commitment to invest \$200 million (approximately 76.6% of equity) in the OCV Fund. The primary purpose of the Fund is to provide a limited number of select investors with the opportunity to realize long-term appreciation from public and private companies, with a particular focus on the technology and life science industries. The general activities of the OCV Fund is to buy, sell, hold and otherwise invest in securities of every kind and nature and rights and options with respect thereto, including, without limitation, stock, notes, bonds, debentures and evidence of indebtedness; to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to securities held or owned by the OCV Fund; to enter into, make and perform all contracts and other undertakings; and to engage in all activities and transactions as may be necessary, advisable or desirable to carry out the foregoing.

The manager, OCV Management, LLC, and general partner of the Fund are entities with respect to which Richard S. Ressler, Chairman of the Board of Directors (the "Board") of the Company, is indirectly the majority equity holder and a related party. As a limited partner in the Fund, the Company will pay an annual management fee to the manager equal to 2.0% (reduced by 10% each year beginning with the sixth year) of capital commitments. In addition, subject to the terms and conditions of the Fund's limited partnership agreement, once the Company has received distributions equal to its invested capital, the Fund's general partner would be entitled to a carried interest equal to 20%. The Fund has a six year investment period, subject to certain exceptions. The commitment was approved by the Audit Committee of the Board in accordance with the Company's related-party transaction approval policy.

In the first six months of 2021, the Company received capital call notices from the management of OCV Management, LLC for \$11.1 million, inclusive of certain management fees, of which \$10.1 million has been paid for the six months ended June 30, 2021. In the first six months of 2020, the Company received capital call notices from the management of OCV Management, LLC for \$26.5 million, inclusive of certain management fees, of which \$26.5 million had been paid for the six months ended June 30, 2020.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

During the three months ended June 30, 2021 and 2020, the Company recognized an investment loss of \$(5.8) million and \$(5.8) million, net of tax benefit, respectively, and during the six months ended June 30, 2021 and 2020, the Company recognized an investment gain (loss) \$18.5 million and \$(10.1) million, net of tax (benefit) expense, respectively. The fiscal 2021 gain was primarily the result of gains in the underlying investments. The fiscal 2020 loss was primarily a result of the impairment of two of its investments as a result of COVID-19 in the amount of \$7.0 million, net of tax benefit. In addition, The Company recognized an investment loss in the amount of \$3.1 million, net of tax benefit. The loss is presented in the Company's Condensed Consolidated Statement of Operations as income (loss) from equity method investment, net.

During the three months ended June 30, 2021 and 2020, the Company recognized management fees of \$0.8 million and \$0.8 million, net of tax benefit, respectively, and for the six months ended June 30, 2021 and 2020, the Company recognized management fees of \$1.5 million and \$1.5 million, net of tax benefit, respectively.

The following table discloses the carrying amount for the Company's equity method investment (in thousands):

	June 30, 2021	December 31, 2020
Equity method investment	\$ 102,773	\$ 67,195
Maximum exposure to loss	\$ 102,773	\$ 67,195

As a limited partner, the Company's maximum exposure to loss is limited to its proportional ownership in the partnership. In addition, the Company is not required to contribute capital in an aggregate amount in excess of its capital commitment and any expected losses will not be in excess of the Capital Account. Finally, there are no call or put options, or other types of arrangements, which limit the Company's ability to participate in losses and returns of the Fund.

6. Assets-Held-For-Sale

The Company classifies assets-held-for-sale when management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the business held for sale are then recorded at the lower of their current carrying value or the fair market value, less costs to sell.

During the first quarter of 2021, the Company committed to a plan to sell certain Voice assets in the United Kingdom as they were determined to be non-core assets. Such assets are recorded within the Voice, Backup, Security, and CPP reportable segment. On February 9, 2021, in a cash transaction, the Company sold the Voice assets. As of June 30, 2021, the total gain recognized on the sale was \$2.8 million which was recorded in gain on sale of businesses on the Condensed Consolidated Statement of Operations.

During the first quarter of 2021, the Company committed to a plan to sell its B2B Backup business as it was determined to be a non-core business. The business is recorded within the Voice, Backup, Security, and CPP reportable segment.

During the second quarter of 2021, the Company received an offer to purchase the B2B Backup business. Management has determined that the fair value of the business less cost to sell is lower than its carrying amount. As a result, the Company recorded an impairment to goodwill of \$32.6 million which was recorded in impairment of business on the Condensed Consolidated Statement of Operations (see Note 8 - Goodwill and Intangible Assets).

The following table presents information related to the assets and liabilities that were classified as held for sale in our Condensed Consolidated Balance Sheet (in thousands):

	June 30, 2021
Accounts receivable, net of allowance of \$346	\$ 6,513
Prepaid expenses and other current assets	2,426
Property and equipment, net	10,161
Operating lease right-of-use assets	15,181
Trade names, net	3,886
Customer relationships, net	8,131
Goodwill	48,632
Other purchased intangibles, net	776
Deferred income taxes, noncurrent	11,326
Other assets	94
Total assets held for sale	\$ 107,126
Accounts payable and accrued expenses	\$ 2,720
Income taxes payable, current	155
Deferred revenue, current	2,650
Operating lease liabilities, current	2,875
Other current liabilities	393
Deferred revenue, noncurrent	4
Operating lease liabilities, noncurrent	11,915
Deferred income taxes, noncurrent	563
Other long-term liabilities	170
Total liabilities held for sale	\$ 21,445

7. Fair Value Measurements

J2 Global complies with the provisions of ASC 820, which defines fair value, provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial and non-financial assets and liabilities. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- § Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- § Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- § Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company's money market funds are classified within Level 1. The Company values these Level 1 investments using quoted market prices. The fair value of long-term debt is determined using recent quoted market prices or dealer quotes

for each of the Company's instruments, which are Level 1 inputs. The fair value of the Company's debt instruments at June 30, 2021 and December 31, 2020 was \$2.3 billion and \$2.0 billion, respectively (see Note 9 - Debt).

Certain of the Company's debt securities are classified within Level 2. The Company values these Level 2 investments based on model-driven valuations using significant inputs derived from or corroborated by observable market data.

The Company classifies its contingent consideration liability in connection with acquisitions within Level 3 because factors used to develop the estimated fair value are unobservable inputs, such as volatility and market risks, and are not supported by market activity. For similar reasons, certain of the Company's available-for-sale debt securities are classified within Level 3. The valuation approaches used to value the Level 3 investments consider unobservable inputs in the market such as time to liquidity, volatility, dividend yield, and breakpoints. Significant increases or decreases in either of the inputs in isolation would result in a significantly lower or higher fair value measurement.

The following table presents the fair values, valuation techniques, unobservable inputs, and ranges of the Company's financial liabilities categorized within Level 3. The weighted averages below are a product of the unobservable input and fair value of the contingent consideration arrangement as of June 30, 2021.

Valuation Technique		Unobservable Input	Range	Weighted Average
Contingent Consideration	Option-Based Model	Risk free rate	2.2%	2.2 %
		Debt spread	0.0% - 74.7%	17.7 %
		Probabilities	100.0%	100.0 %
		Present value factor	2.2% - 3.9%	3.3 %
		Discount rate	38.0%	38.0 %

The following tables present the fair values of the Company's financial assets or liabilities that are measured at fair value on a recurring basis (in thousands):

June 30, 2021	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Assets:					
Cash equivalents:					
Money market and other funds	\$ 10,407	\$ —	\$ —	\$ 10,407	\$ 10,407
Corporate debt securities	—	—	—	—	—
Total assets measured at fair value	<u>\$ 10,407</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,407</u>	<u>\$ 10,407</u>
Liabilities:					
Contingent consideration	\$ —	\$ —	\$ 5,582	\$ 5,582	\$ 5,582
Debt	2,302,633	—	—	2,302,633	1,591,861
Total liabilities measured at fair value	<u>\$ 2,302,633</u>	<u>\$ —</u>	<u>\$ 5,582</u>	<u>\$ 2,308,215</u>	<u>\$ 1,597,443</u>
December 31, 2020					
Assets:					
Cash equivalents:					
Money market and other funds	\$ 10,413	\$ —	\$ —	\$ 10,413	\$ 10,413
Corporate debt securities	—	663	—	663	663
Total assets measured at fair value	<u>\$ 10,413</u>	<u>\$ 663</u>	<u>\$ —</u>	<u>\$ 11,076</u>	<u>\$ 11,076</u>
Liabilities:					
Contingent consideration	\$ —	\$ —	\$ 9,094	\$ 9,094	\$ 9,094
Debt	1,960,527	—	—	1,960,527	1,579,021
Total liabilities measured at fair value	<u>\$ 1,960,527</u>	<u>\$ —</u>	<u>\$ 9,094</u>	<u>\$ 1,969,621</u>	<u>\$ 1,588,115</u>

The following table presents a reconciliation of the Company's Level 3 financial liabilities related to contingent consideration that are measured at fair value on a recurring basis (in thousands):

	Level 3	Affected line item in the Statement of Operations
Balance as of January 1, 2021	\$ 9,094	
Contingent consideration	1,754	
Total fair value adjustments reported in earnings	562	General and administrative
Contingent consideration payments	(5,828)	Not applicable
Balance as of June 30, 2021	<u>\$ 5,582</u>	

In connection with the Company's acquisition activity, contingent consideration of up to \$5.8 million may be payable upon achieving certain revenue, and/or unique visitor thresholds and had a combined fair value of \$5.6 million and \$9.1 million at June 30, 2021 and December 31, 2020, respectively. Due to the achievement of certain thresholds, \$5.8 million was paid in the first six months of 2021.

During the six months ended June 30, 2021, the Company recorded an increase in the fair value of the contingent consideration of \$0.6 million and reported such increase in general and administrative expenses.

8. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination and is assigned to the reporting unit that is expected to benefit from the synergies of the combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. The fair values of these identified intangible assets are based upon expected future cash flows or income, which take into consideration certain assumptions such as customer turnover, trade names and patent lives. These determinations are primarily based upon the Company's historical experience and expected benefit of each intangible asset. If it is determined that such assumptions are not accurate, then the resulting change will impact the fair value of the intangible asset. Identifiable intangible assets are amortized over the period of estimated economic benefit, which ranges from one to 20 years.

The changes in carrying amounts of goodwill for the six months ended June 30, 2021 are as follows (in thousands):

	Fax and Martech	Voice, Backup, Security and CPP	Total Cloud Services	Digital Media	Consolidated
Balance as of January 1, 2021	\$ 425,471	\$ 499,025	\$ 924,496	\$ 942,934	\$ 1,867,430
Goodwill acquired (Note 4)	39,519	—	39,519	13,494	53,013
Goodwill removed due to sale of a business ⁽¹⁾	—	(1,339)	(1,339)	—	(1,339)
Goodwill reclassified to noncurrent assets held for sale ⁽²⁾	—	(48,632)	(48,632)	—	(48,632)
Goodwill impairment ⁽³⁾	—	(32,629)	(32,629)	—	(32,629)
Purchase accounting adjustments ⁽⁴⁾	—	47	47	2,603	2,650
Foreign exchange translation	(1,861)	(817)	(2,678)	(276)	(2,954)
Balance as of June 30, 2021	<u>\$ 463,129</u>	<u>\$ 415,655</u>	<u>\$ 878,784</u>	<u>\$ 958,755</u>	<u>\$ 1,837,539</u>

⁽¹⁾ On February 9, 2021, in a cash transaction, the Company sold certain of its Voice assets in the United Kingdom which resulted in \$1.3 million of goodwill being removed in connection with this sale (see Note 6 - Assets Held for Sale).

⁽²⁾ During the six months ended June 30, 2021, the Company reclassified \$48.6 million of goodwill to noncurrent assets held for sale in connection with certain B2B Backup assets. (see Note 6 - Assets Held for Sale).

⁽³⁾ During the second quarter of 2021, the Company had an impairment to goodwill of \$32.6 million in connection with certain B2B Backup assets (see Note 6 - Assets Held for Sale).

⁽⁴⁾ Purchase accounting adjustments relate to measurement period adjustments to goodwill in connection with prior business acquisitions (see Note 4 - Business Acquisitions).

Intangible Assets with Indefinite Lives:

Intangible assets are summarized as of June 30, 2021 and December 31, 2020 as follows (in thousands):

	June 30, 2021	December 31, 2020
Trade names	\$ 27,433	\$ 27,460
Other	4,321	4,329
Total	\$ 31,754	\$ 31,789

Intangible Assets Subject to Amortization:

As of June 30, 2021, intangible assets subject to amortization relate primarily to the following (in thousands):

	Weighted- Average Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	9.6 years	\$ 269,782	\$ 109,994	\$ 159,788
Patent and patent licenses	5.5 years	67,973	67,151	822
Customer relationships ⁽¹⁾	8.0 years	844,952	514,540	330,412
Other purchased intangibles	4.3 years	463,616	297,454	166,162
Total		\$ 1,646,323	\$ 989,139	\$ 657,184

⁽¹⁾ Historically, the Company has amortized its customer relationship assets in a pattern that best reflects the pace at which the asset's benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first 4 to 5 years, despite the overall life of the asset.

As of December 31, 2020, intangible assets subject to amortization relate primarily to the following (in thousands):

	Weighted- Average Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	10.0 years	\$ 260,715	\$ 100,273	\$ 160,442
Patent and patent licenses	5.5 years	67,980	66,964	1,016
Customer relationships ⁽¹⁾	8.0 years	848,875	471,681	377,194
Other purchased intangibles	4.3 years	436,352	265,224	171,128
Total		\$ 1,613,922	\$ 904,142	\$ 709,780

⁽¹⁾ Historically, the Company has amortized its customer relationship assets in a pattern that best reflects the pace at which the asset's benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first 4 to 5 years, despite the overall life of the asset.

Amortization expense, included in general and administrative expense, approximated \$48.0 million and \$35.6 million for the three months ended June 30, 2021 and 2020, respectively, and \$96.5 million and \$74.4 million for the six months ended June 30, 2021 and 2020, respectively. Amortization expense is estimated to approximate \$93.3 million, \$146.6 million, \$125.9 million, \$79.3 million and \$74.2 million for the remaining six months of fiscal year 2021 through fiscal year 2025, respectively, and \$138.0 million thereafter through the duration of the amortization period.

9. Debt

The Company's debt as of June 30, 2021 and December 31, 2020 consists of the following (in thousands):

	June 30, 2021	December 31, 2020
4.625% Senior Notes	\$ 750,000	\$ 750,000
Convertible Notes:		
3.25% Convertible Notes	399,613	402,414
1.75% Convertible Notes	550,000	550,000
Total Notes	1,699,613	1,702,414
Paycheck Protection Program Loan	—	910
Bridge Loan	2,811	—
Less: Unamortized discount	(100,405)	(112,798)
Deferred issuance costs	(10,158)	(11,505)
Total debt	1,591,861	1,579,021
Less: current portion	(402,134)	(396,801)
Total long-term debt, less current portion	\$ 1,189,727	\$ 1,182,220

4.625% Senior Notes

On October 7, 2020, J2 Global, Inc. completed the issuance and sale of \$750 million aggregate principal amount of its 4.625% senior notes due 2030 (the "4.625% Senior Notes") in a private placement offering exempt from the registration requirements of the Securities Act of 1933. The Company received proceeds of \$742.7 million after deducting the initial purchasers' discounts, commissions and offering expenses. The 4.625% Senior Notes are presented as long-term debt, net of deferred issuance costs, on the Consolidated Balance Sheets as of June 30, 2021. The net proceeds were used to redeem all of its outstanding 6.0% Senior Notes due in 2025 and, remaining net proceeds were available for general corporate purposes which may include acquisitions and the repurchase or redemption of other outstanding indebtedness.

The 4.625% Senior Notes bear interest at a rate of 4.625% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2021. The 4.625% Senior Notes mature on October 15, 2030, and are senior unsecured obligations of the Company which are guaranteed, jointly and severally, on an unsecured basis by certain of the Company's existing and future domestic direct and indirect wholly-owned subsidiaries (collectively, the "Guarantors"). If J2 Global, Inc. or any of its restricted subsidiaries acquires or creates a domestic restricted subsidiary, other than an Insignificant Subsidiary (as defined in the indenture pursuant to which the 4.625% Senior Notes were issued (the "Indenture")), after the issue date, or any Insignificant Subsidiary ceases to fit within the definition of Insignificant Subsidiary, such restricted subsidiary is required to unconditionally guarantee, jointly and severally, on an unsecured basis, the Company's obligations under the 4.625% Senior Notes.

The Company may redeem some or all of the 4.625% Senior Notes at any time on or after October 15, 2025 at specified redemption prices plus accrued and unpaid interest, if any, to, but excluding the redemption date. Before October 15, 2023, and following certain equity offerings, the Company also may redeem up to 40% of the 4.625% Senior Notes at a price equal to 104.625% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding the redemption date. The Company may make such redemption only if, after such redemption, at least 50% of the aggregate principal amount of the 4.625% Senior Notes remains outstanding. In addition, at any time prior to October 15, 2025, the Company may redeem some or all of the 4.625% Senior Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus an applicable "make-whole" premium.

The Indenture contains covenants that restrict the Company's ability to (i) pay dividends or make distributions on the Company's common stock or repurchase the Company's capital stock; (ii) make certain restricted payments; (iii) create liens or enter into sale and leaseback transactions; (iv) enter into transactions with affiliates; (v) merge or consolidate with another company; and (vi) transfer and sell assets. These covenants contain certain exceptions. Restricted payments are applicable only if J2 Global, Inc. and subsidiaries designated as restricted subsidiaries have a net leverage ratio of greater than 3.5 to 1.0. In addition, if such net leverage ratio is in excess of 3.5 to 1.0, the restriction on restricted payments is subject to various exceptions, including the total aggregate amount not exceeding the greater of (A) \$250 million and (B) 50.0% of EBITDA for

the most recently ended four fiscal quarter period ended immediately prior to such date for which internal financial statements are available. The Company is in compliance with its debt covenants as of June 30, 2021.

As of June 30, 2021 and December 31, 2020, the estimated fair value of the 4.625% Senior Notes was approximately \$778.4 million and \$796.9 million, and was based on recent quoted market prices or dealer quotes for the 4.625% Senior Notes which are Level 1 inputs (see Note 7 - Fair Value Measurements).

3.25% Convertible Notes

On June 10, 2014, J2 Global issued \$402.5 million aggregate principal amount of 3.25% convertible senior notes due June 15, 2029 (the “3.25% Convertible Notes”). The 3.25% Convertible Notes bear interest at a rate of 3.25% per annum, payable semiannually in arrears on June 15 and December 15 of each year. Beginning with the six-month interest period commencing on June 15, 2021, the Company must pay contingent interest on the 3.25% Convertible Notes during any six-month interest period if the trading price per \$1,000 principal amount of the 3.25% Convertible Notes for each of the five trading days immediately preceding the first day of such interest period equals or exceeds \$1,300. Any contingent interest payable on the 3.25% Convertible Notes will be in addition to the regular interest payable on the 3.25% Convertible Notes.

During the second quarter of 2021, certain holders exercised their conversion option on the 3.25% Convertible Notes due in 2029. The Company satisfied its conversion obligation by paying the principal of \$2.8 million in cash and issued 19,033 shares of J2 Global common stock (see Note 13 - Stockholders’ Equity).

During the second quarter of 2021, the Company announced plans to separate into two independent publicly traded companies, J2 Global, Inc. and Consensus Cloud Solutions, Inc. (“Consensus”), through a spin-off. The transaction is subject to certain conditions, including, among others, obtaining final approval from J2’s Board of Directors, receipt of a favorable ruling with respect to the tax-free nature of the transaction for favorable income tax purposes and the effectiveness of a registration statement on Form 10.

In connection with its announcement of the proposed transaction, the Company has announced its intention to call its 3.25% Convertible Notes due 2029 for redemption and on August 2, 2021, the Company redeemed in full all of its outstanding 3.25% convertible notes due in 2029. The Company satisfied its conversion obligation by paying the principal of \$399.6 million in cash and issued 3,031,817 shares of J2 Global common stock (see Note 18 - Subsequent Events).

As of June 30, 2021, the conversion rate was 14.7632 shares of J2 Global common stock for each \$1,000 principal amount of 3.25% Convertible Notes, which represented a conversion price of approximately \$67.74 per share of J2 Global common stock. The conversion rate was subject to adjustment for certain events as set forth in the indenture governing the 3.25% Convertible Notes, but will not be adjusted for accrued interest.

The 3.25% Convertible Notes were carried at face value less any unamortized debt discount and debt issuance costs. The fair value of the 3.25% Convertible Notes at each balance sheet date is determined based on recent quoted market prices or dealer quotes for the 3.25% Convertible Notes, which are Level 1 inputs (see Note 7 - Fair Value Measurements). If such information is not available, the fair value is determined using cash-flow models of the scheduled payments discounted at market interest rates for comparable debt without the conversion feature. As of June 30, 2021 and December 31, 2020, the estimated fair value of the 3.25% Convertible Notes was approximately \$815.1 million and \$593.1 million, respectively.

1.75% Convertible Notes

On November 15, 2019, J2 Global issued \$550.0 million aggregate principal amount of 1.75% convertible senior notes due November 1, 2026 (the “1.75% Convertible Notes”). J2 Global received proceeds of \$537.1 million in cash, net of purchasers’ discounts and commissions and other debt issuance costs. A portion of the net proceeds were used to pay off all amounts outstanding under the then-existing Credit Facility. The 1.75% Convertible Notes bear interest at a rate of 1.75% per annum, payable semiannually in arrears on May 1 and November 1 of each year, beginning on May 1, 2020. The 1.75% Convertible Notes will mature on November 1, 2026, unless earlier converted or repurchased.

Holders may surrender their 1.75% Convertible Notes for conversion at any time prior to the close of business on the business day immediately preceding July 1, 2026 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on March 31, 2020 (and only during such calendar quarter), if the last reported sale price of J2 Global common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding the calendar quarter is

greater than 130% of the applicable conversion price of the 1.75% Convertible Notes on each such applicable trading day; (ii) during the five business day period following any 10 consecutive trading day period in which the trading price per \$1,000 principal amount of 1.75% Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of J2 Global common stock and the applicable conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events. On or after July 1, 2026, and prior to the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their notes at any time, regardless of the foregoing circumstances. J2 Global will settle conversions of the 1.75% Convertible Notes by paying or delivering, as the case may be, cash, shares of J2 Global common stock or a combination thereof at J2 Global's election. The Company currently intends to satisfy its conversion obligation by paying and delivering a combination of cash and shares of the Company's common stock. Holders of the notes will have the right to require the Company to repurchase for cash all or any portion of their notes upon the occurrence of certain corporate events, subject to certain conditions. During the second quarter of 2021 and the fourth quarter of 2020, the last reported sale price of the Company's common stock did not meet the conversion price threshold requirements of the 1.75% Convertible Notes. Therefore, the net carrying amount of the 1.75% Convertible Notes is classified as long-term debt on the Condensed Consolidated Balance Sheets.

As of June 30, 2021, the conversion rate is 7.9864 shares of J2 Global common stock for each \$1,000 principal amount of 1.75% Convertible Notes, which represents an conversion price of approximately \$125.21 per share of J2 Global common stock. The conversion rate is subject to adjustment for certain events as set forth in the indenture governing the 1.75% Convertible Notes, but will not be adjusted for accrued interest. In addition, upon the occurrence of a "Make-Whole Fundamental Change" (as defined in the 1.75% Convertible Note Indenture), J2 Global will increase the conversion rate for a holder that elects to convert its 1.75% Convertible Notes in connection with such a corporate event in certain circumstances.

J2 Global may not redeem the 1.75% Convertible Notes prior to November 1, 2026, and no sinking fund is provided for the 1.75% Convertible Notes.

The 1.75% Convertible Notes are the Company's general senior unsecured obligations and rank: (i) senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 1.75% Convertible Notes; (ii) equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including its existing 3.25% Convertible Notes due 2029; (iii) effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries, including the then-existing 6.0% Senior Notes due 2025.

Accounting for the 1.75% Convertible Notes

In accordance with ASC 470-20, *Debt with Conversion and Other Options*, convertible debt that can be settled for cash is required to be separated into the liability and equity component at issuance, with each component assigned a value. The value assigned to the liability component is the effective fair value, as of the issuance date, of similar debt without the conversion feature. The difference between the cash proceeds and estimated fair value of the liability component, representing the value of the conversion premium assigned to the equity component, is recorded as a debt discount on the issuance date. This debt discount is amortized to interest expense using the effective interest method over the period from the issuance date through the maturity date of November 1, 2026.

J2 Global estimated the borrowing rates of similar debt without the conversion feature at origination to be 5.5% for the 1.75% Convertible Notes and determined the debt discount to be \$118.9 million. As a result, a conversion premium after tax of \$88.1 million (net of \$2.8 million of the deferred issuance costs) are recorded in additional paid-in capital. The aggregate debt discount is amortized as interest expense over the period from the issuance date through the maturity date of November 1, 2026, which management believes is the expected life of the 1.75% Convertible Notes using an interest rate of 5.5%. As of June 30, 2021, the remaining period over which the unamortized debt discount will be amortized is 5.3 years.

In connection with the issuance of the 1.75% Convertible Notes, the Company incurred \$12.9 million of deferred issuance costs, which primarily consisted of the underwriters' discount, legal and other professional service fees. Of the total deferred issuance costs incurred, \$10.1 million of such deferred issuance costs were attributable to the liability component and are recorded within other assets and are being amortized to interest expense through the maturity date. The remaining \$2.8 million of the deferred issuance costs were netted with the equity component in additional paid-in capital at the issuance date. As of June 30, 2021, the unamortized deferred issuance costs were \$8.3 million.

The 1.75% Convertible Notes are carried at face value less any unamortized debt discount and issuance costs. The fair value of the 1.75% Convertible Notes at each balance sheet date is determined based on recent quoted market prices or dealer quotes for the 1.75% Convertible Notes, which are Level 1 inputs (see Note 7 - Fair Value Measurements). If such information is not available, the fair value is determined using cash-flow models of the scheduled payments discounted at market interest rates for comparable debt without the conversion feature. As of June 30, 2021 and December 31, 2020, the estimated fair value of the 1.75% Convertible Notes was approximately \$706.4 million and \$569.7 million, respectively.

Credit Facility and Bridge Loan

On April 7, 2021, the Company entered into a \$100 million Credit Agreement (the "Credit Agreement"). Subject to customary conditions, J2 may, from time to time, request increases in the commitments under the Credit Agreement in an aggregate amount up to \$250 million, for a total aggregate commitment of up to \$350 million. The final maturity of the Credit Facility will occur on April 7, 2026.

On June 2, 2021, the Company entered into a First Amendment (the "Amendment") to the Credit Agreement, dated April 7, 2021. The Amendment (i) provides for the issuance of a senior secured term loan under the Existing Credit Agreement, in an aggregate principal amount of \$405,000,000 (the "Bridge Loan"), (ii) permits the spin-off of a portion of the Company's cloud services business into a new publicly traded company, and (iii) provides for certain other changes to the Credit Agreement.

The Bridge Loan shall bear interest at a rate per annum equal to (i) initially upon funding of the loan, either a base rate plus 2.00%, or a LIBOR rate plus 3.00%, (ii) from six months after the funding date of the Bridge Loan until twelve months after the funding date of the Bridge Loan, either a base rate plus 2.50%, or a LIBOR rate plus 3.50%, and (iii) from twelve months after the funding date of the Bridge Loan until repayment of the Bridge Loan, either a base rate plus 3.00% or a LIBOR rate plus 4.00%. The Bridge Loan will mature on the date that is 364 days after the funding date of the Bridge Loan, with two automatic extensions, each for an additional three months, if SEC approval of the spin-off transaction is still outstanding. The proceeds of the Bridge Loan Facility will be used to redeem J2's 3.25% convertible senior notes due 2029.

J2 is required to pay a funding fee of 0.50% of the aggregate principal amount of Bridge Loans made on the funding date thereof, as well as a duration fee of 0.25% of the aggregate principal amount of outstanding Bridge Loans on the sixth month anniversary of the funding of the Bridge Loans, and a fee of 0.50% of the aggregate principal amount of outstanding Bridge Loans on each of the nine-month, twelve-month and fifteen-month anniversaries of the funding of the Bridge Loans.

Paycheck Protection Program Loan

Through the acquisition of certain businesses in 2020, the Company acquired \$0.9 million of outstanding debt originating from the Paycheck Protection Program. During the second quarter of 2021, the Company received approval from the SBA to forgive the entire amount of the outstanding PPP loans, which was subsequently forgiven in full.

10. Leases

J2 Global leases certain facilities and equipment under non-cancelable operating and finance leases which expire at various dates through 2031. Office and equipment leases are typically for terms of three to five years and generally provide renewal options for terms up to an additional five years. Some of the Company's leases include options to terminate within one year.

In certain agreements in which the Company leases office space where the Company is the tenant, it subleases the site to various other companies through a sublease agreement.

Finance leases are not material to the Company's Condensed Consolidated Financial Statements and are therefore not included in the disclosures below.

The components of lease expense were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 10,889	\$ 9,114	\$ 17,837	\$ 16,218
Short-term lease cost	793	648	1,942	1,093
Total lease cost	\$ 11,682	\$ 9,762	\$ 19,779	\$ 17,311

Supplemental balance sheet information related to leases was as follows (in thousands):

	June 30, 2021	December 31, 2020
Operating leases		
Operating lease right-of-use assets	\$ 82,961	\$ 105,845
Operating lease right-of-use assets classified as assets held for sale	15,181	—
Total operating lease right-of-use assets	\$ 98,142	\$ 105,845
Operating lease liabilities, current	\$ 30,818	\$ 32,211
Operating lease liabilities, current classified as assets held for sale	2,875	—
Operating lease liabilities, noncurrent	81,752	99,177
Operating lease liabilities, noncurrent classified as assets held for sale	11,915	—
Total operating lease liabilities	\$ 127,360	\$ 131,388

Supplemental cash flow information related to leases was as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 15,277	\$ 14,499
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 9,274	\$ 5,357

Other supplemental operating lease information consists of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Operating leases:		
Weighted average remaining lease term	5.0 years	5.2 years
Weighted average discount rate	3.85 %	3.93 %

Maturities of operating lease liabilities as of June 30, 2021 were as follows (in thousands):

	<u>Operating Leases</u>
Fiscal Year:	
2021 (remainder)	\$ 18,250
2022	33,715
2023	27,952
2024	20,062
2025	11,672
Thereafter	31,658
Total lease payments	\$ 143,309
Less: Imputed interest	15,949
Present value of operating lease liabilities	<u>\$ 127,360</u>

Sublease

Total sublease income for the three months ended June 30, 2021 and 2020 was \$0.5 million and \$1.0 million, respectively, and was \$0.9 million and \$1.8 million for the six months ended June 30, 2021 and 2020, respectively. Total estimated aggregate sublease income to be received in the future is \$5.8 million.

For the first six months of 2021 and 2020, the Company recorded impairments of \$7.8 million and \$2.1 million, respectively, associated with its sublease tenants in default as a result of the economic effects of COVID-19. The impairment is presented in general and administrative expense on the Condensed Consolidated Statement of Operations.

Significant Judgments

Discount Rate

The majority of the J2 Global's leases are discounted using the Company's incremental borrowing rate as the rate implicit in the lease is not readily determinable. Rates are obtained from various large banks to determine the appropriate incremental borrowing rate each quarter for collateralized loans with a maturity similar to the lease term.

Options

The lease term is generally the minimum noncancelable period of the lease. The Company does not include option periods unless the Company determined it is reasonably certain of exercising the option at inception or when a triggering event occurs.

Practical Expedients

As a practical expedient, the Company has not separated lease components from nonlease components for its real property operating leases. Certain of the Company's leases contain nonlease components such as maintenance and certain utility costs.

In addition, the Company elected and applied the available transition practical expedients upon adoption. By electing these practical expedients, the Company did:

- not reassess whether expired or existing contracts contain leases under the new definition of a lease;
- not reassess lease classification for expired or existing leases; and
- not reassess whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

11. Commitments and Contingencies

Litigation

From time to time, J2 Global and its affiliates are involved in litigation and other legal disputes or regulatory inquiries that arise in the ordinary course of business. Any claims or regulatory actions against J2 Global and its affiliates, whether meritorious or not, could be time consuming and costly, and could divert significant operational resources. The outcomes of such matters are subject to inherent uncertainties, carrying the potential for unfavorable rulings that could include monetary damages and injunctive relief.

On February 17, 2011, Emmanuel Pantelakis (“Pantelakis”) filed suit against a J2 Global affiliate in the Ontario Superior Court of Justice (No. 11-50673), alleging that the J2 Global affiliate breached a contract relating to Pantelakis’s use of the Campaigner service. The J2 Global affiliate filed a responsive pleading on March 23, 2011 and responses to undertakings on July 16, 2012. On November 6, 2012, Pantelakis filed a second amended statement of claim, reframing his lawsuit as a negligence action. The J2 Global affiliate filed an amended statement of defense on April 8, 2013. Discovery has closed, with the exception of one issue. On July 8, 2021, an agreement was reached to settle the matter by an immaterial amount.

On January 21, 2016, Davis Neurology, P.A. filed a putative class action lawsuit against two J2 Global affiliates in the Circuit Court for the County of Pope, State of Arkansas (58-cv-2016-40), alleging violations of the TCPA. The case was removed to the U.S. District Court for the Eastern District of Arkansas (No. 4:16-cv-00682). On March 20, 2017, the District Court granted a motion for judgment on the pleadings filed by the J2 Global affiliates and dismissed all claims against the J2 Global affiliates. On July 23, 2018, the Eighth Circuit Court of Appeals vacated the judgment and remanded to district court with instructions to return the case to state court. On January 29, 2019, after further appeals were exhausted, the case was remanded to the Arkansas state court. On April 1, 2019, the state court granted a motion for class certification filed by the plaintiff in 2016. Because the prior removal to federal court had deprived the state court of jurisdiction, the J2 Global affiliates had not yet filed an opposition brief to the 2016 motion when the state court granted the motion. The J2 Global affiliates appealed the order. On July 15, 2019, the J2 Global affiliates removed the case to federal court pursuant to the Class Action Fairness Act of 2005. On November 26, 2019 the court denied the Plaintiff’s motion to remand. On December 20, 2019, the court granted the Plaintiff’s motion for leave to amend its complaint. On May 21, 2020, the court denied J2 Global affiliates’ motion to dismiss. On February 18, 2021, the parties filed a motion for preliminary approval of the class settlement, certification of a settlement class and for permission to disseminate notice, which was granted on May 11, 2021. The notice is in the process of being distributed.

On July 8, 2020, Jeffrey Garcia filed a putative class action lawsuit against J2 Global in the Central District of California (20-cv-06906), alleging violations of federal securities laws. J2 Global has moved to dismiss the consolidated class action complaint. The court granted the motion to dismiss and the plaintiff has filed an amended complaint. J2 Global has moved to dismiss the amended complaint.

On September 24, 2020, International Union of Operating Engineers of Eastern Pennsylvania and Delaware filed an action lawsuit in the Delaware Court of Chancery (C.A. No. 2020-0819-VCL) asserting derivative claims for breach of fiduciary duty and related theories against directors of J2 Global, Inc. and other third parties relating generally the investment by the Company in OCV Fund I, L.P. (the “Chancery Court Derivative Action”). On November 17, 2020, the court entered an order allowing Orlando Police Pension Fund to intervene as a plaintiff in the case. The parties have reached an agreement to settle the lawsuit, which requires court approval. On July 29, 2021, the parties filed a stipulation of settlement that provides the terms of the settlement and begins the settlement approval process with the Court.

On December 11, 2020, Danning Huang filed a lawsuit in the District of Delaware (20-cv-01687-LPS) asserting derivative claims against directors of J2 Global, Inc. and other third parties. The lawsuit alleges violations of Section 14(a), Section 10(b), Section 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934, as well as breach of fiduciary duty, unjust enrichment and abuse of control.

On March 24, 2021, Fritz Ringling filed a lawsuit in the District of Delaware (21-cv-00421-UNA) asserting substantially similar derivative claims, and on April 8, 2021, the district court consolidated the two actions under the caption In re J2 Global Stockholder Derivative Litigation. No.: 20-cv-01687-LPS. As part of the settlement of the Chancery Court Derivative Action described above, J2 Global and its directors and officers intend to defend against the remaining claims.

J2 Global does not believe, based on current knowledge, that the foregoing legal proceedings or claims, after giving effect to existing accrued liabilities, are likely to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could have a material effect on J2 Global's consolidated financial position, results of operations, or cash flows in a particular period.

The Company has accrued approximately \$4.5 million in connection with potential loss contingencies relating to certain of these legal proceedings because they are considered probable by management. It is the Company's policy to expense as incurred legal fees related to various litigations.

Non-Income Related Taxes

The Company does not collect and remit sales and use, telecommunication, or similar taxes and fees in certain jurisdictions where the Company believes such taxes are not applicable or legally required. Several states and other taxing jurisdictions have presented or threatened the Company with assessments, alleging that the Company is required to collect and remit such taxes there.

The Company is currently under audit or is subject to audit for indirect taxes in various states, municipalities and foreign jurisdictions. The Company has a \$25.4 million reserve established for these matters. It is reasonably possible that additional liabilities could be incurred resulting in additional expense, which could have a material impact to our financial results.

12. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate adjusted for discrete interim period tax impacts. Each quarter the Company updates its estimated annual effective tax rate and, if the estimate changes, makes a cumulative adjustment. The Company's effective tax rate was 9.1% and 26.7% for the three months ended June 30, 2021 and 2020, respectively and 9.5% and 37.1% for the six months ended June 30, 2021 and 2020, respectively. The Company's decreased rate during the three months and six months ended June 30, 2021 is primarily due to the recognition of a deferred tax asset from the impairment of the B2B Backup business unit and a discrete tax benefit recognized related to a reduction in our net reserve for uncertain tax positions with no similar events for the period ending June 30, 2020. Income (loss) before income taxes included income from domestic operations of \$5.8 million and \$(2.5) million for the six months ended June 30, 2021 and 2020, respectively, and income from foreign operations of \$77.2 million and \$69.0 million for the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and December 31, 2020, the Company had \$53.5 million and \$57.1 million, respectively, in liabilities for uncertain income tax positions. Accrued interest and penalties related to unrecognized tax benefits are recognized in income tax expense on the Company's consolidated statement of operations.

Cash paid for income taxes net of refunds received was \$37.3 million and \$8.9 million for the six months ended June 30, 2021 and 2020, respectively.

Certain taxes are prepaid during the year and, where appropriate, included within prepaid expenses and other current assets on the Condensed Consolidated Balance Sheet. The Company's prepaid taxes were zero and \$3.0 million at June 30, 2021 and December 31, 2020, respectively.

Income Tax Audits:

The Company is in various stages of audit by the U.S. Internal Revenue Service ("IRS") for its 2012 through 2016 tax years. On February 24, 2021, the Company received a Notice of Deficiency for tax years 2012 through 2014 which disallowed certain deductions for domestic production. The Company disagrees with the Notice and filed a petition to appeal on May 24, 2021. As of June 30, 2021, the audits are ongoing. Subsequent to June 30, 2021, the Company paid a previously settled amount

for certain tax issues in connection with tax years 2015 and 2016. The amount paid was within the reserve established for this matter.

J2 Global is under income tax audit by the California Franchise Tax Board (the “FTB”) for its tax years 2012 and 2013. The FTB, however, has suspended its audit for 2012 and 2013 pending the outcome of the IRS audit for such tax years. In August 2018, the FTB notified the Company that it will commence an audit of tax years 2015 and 2016. As of June 30, 2021, the audits are ongoing.

In June 2019, the New York State Department of Taxation and Finance (“NYS”) notified the Company that it will commence an audit for tax year 2015. In April 2020, the NYS notified the Company that it will also commence an audit for tax years 2016 and 2017. As of June 30, 2021, the audits are ongoing.

It is reasonably possible that these audits may conclude in the next 12 months and that the uncertain tax positions the Company has recorded in relation to these tax years may change compared to the liabilities recorded for these periods. If the recorded uncertain tax positions are inadequate to cover the associated tax liabilities, the Company would be required to record additional tax expense in the relevant period, which could be material. If the recorded uncertain tax positions are adequate to cover the associated tax liabilities, the Company would be required to record any excess as a reduction in tax expense in the relevant period, which could be material. However, it is not currently possible to estimate the amount, if any, of such change.

13. Stockholders’ Equity

Common Stock Repurchase Program

In February 2012, the Company’s Board of Directors approved a program authorizing the repurchase of up to five million shares of the Company’s common stock through February 20, 2013 (the “2012 Program”) which was subsequently extended through February 20, 2021.

In November 2018 and May 2019, the Company entered into Rule 10b5-1 trading plans with a broker to facilitate the repurchase program. 600,000 shares were repurchased under the share repurchase program in 2018 at an aggregate cost of \$42.5 million and were subsequently retired in March 2019. During the year ended December 31, 2019, the Company repurchased 197,870 shares at an aggregate cost of \$16.0 million which were subsequently retired in the same year. During the year ended December 31, 2020, the Company repurchased 1,140,819 shares under this program at an aggregate cost of \$87.5 million, which were subsequently retired in the same year. As of December 31, 2020, all the available shares were repurchased under the 2012 Program at an aggregate cost of \$204.6 million (including an immaterial amount of commission fees).

On August 6, 2020, the Company’s Board of Directors approved a program authorizing the repurchase of up to ten million shares of our common stock through August 6, 2025 (the “2020 Program”) in addition to the five million shares repurchased under the 2012 Program. The Company entered into a Rule 10b5-1 trading plan and during the six month period ended June 30, 2021, the Company repurchased no shares under this program. Cumulatively at June 30, 2021, 2,490,599 shares were repurchased at an aggregate cost of \$177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired.

During the second quarter of 2021, certain holders of the 3.25% Convertible Notes due in 2029 exercised their conversion option. The Company satisfied its conversion obligation by paying the principal of \$2.8 million in cash and issued 19,033 shares of J2 Global common stock (see Note 9 - Debt).

Periodically, participants in J2 Global’s stock plans surrender to the Company shares of J2 Global stock to pay the exercise price or to satisfy tax withholding obligations arising upon the exercise of stock options or the vesting of restricted stock. During the three month period ended June 30, 2021, the Company purchased 87,155 shares from plan participants for this purpose.

Dividends

No dividends were declared in during fiscal year 2021 and 2020. Future dividends are subject to Board approval. Based on the significant number of current investment opportunities within the Company’s portfolio of businesses and the historic returns from prior investments, the Board of Directors suspended dividend payments for the foreseeable future.

14. Stock Options and Employee Stock Purchase Plan

J2 Global's share-based compensation plans include the 2007 Stock Plan (the "2007 Plan"), 2015 Stock Option Plan (the "2015 Plan") and 2001 Employee Stock Purchase Plan (the "Purchase Plan"). Each plan is described below.

The 2007 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other share-based awards. 4,500,000 shares of J2 Global common stock are authorized to be used for 2007 Plan purposes. Options under the 2007 Plan may be granted at exercise prices determined by the Board of Directors, provided that the exercise prices shall not be less than the fair market value of J2 Global's common stock on the date of grant for incentive stock options and not less than 85% of the fair market value of J2 Global's common stock on the date of grant for non-statutory stock options. As of June 30, 2021, 7,250 shares underlying options and zero shares of restricted units were outstanding under the 2007 Plan. The 2007 Plan terminated on February 14, 2017.

The 2015 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance share units and other share-based awards. 4,200,000 shares of J2 Global common stock are authorized to be used for 2015 Plan purposes. Options under the 2015 Plan may be granted at exercise prices determined by the Board of Directors, provided that the exercise prices shall not be less than the higher of the par value or 100% of the fair market value of J2 Global's common stock subject to the option on the date the option is granted. As of June 30, 2021, 423,000 shares underlying options and 272,940 shares of restricted stock units were outstanding under the 2015 Plan.

All stock option grants are approved by "outside directors" within the meaning of Internal Revenue Code Section 162(m).

Stock Options

The following table represents stock option activity for the six months ended June 30, 2021:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	475,601	\$ 69.61		
Granted	—	—		
Exercised	(45,351)	29.34		
Canceled	—	—		
Outstanding at June 30, 2021	430,250	\$ 73.85	6.3	\$ 27,405,745
Exercisable at June 30, 2021	180,250	\$ 72.22	5.9	\$ 11,775,745
Vested and expected to vest at June 30, 2021	363,615	\$ 73.64	6.2	\$ 23,239,725

The total intrinsic values of options exercised during the six months ended June 30, 2021 and 2020 were \$4.0 million and \$3.0 million, respectively.

The Company recognized \$0.2 million and \$0.2 million of compensation expense related to stock options for the three months ended June 30, 2021 and 2020, respectively, and \$0.4 million and \$0.4 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and December 31, 2020, unrecognized stock compensation related to non-vested stock options granted under each of the share-based compensation plans approximated \$5.3 million and \$5.8 million, respectively. Unrecognized stock compensation expense related to non-vested stock options granted under these plans is expected to be recognized ratably over a weighted-average period of 4.5 years (i.e., the remaining requisite service period).

Fair Value Disclosure

J2 Global uses the Black-Scholes option pricing model to calculate the fair value of each option grant. The expected volatility is based on historical volatility of the Company's common stock. The Company estimates the expected term based upon the historical exercise behavior of its employees. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected term of the option assumed at the date of grant. The Company uses an annualized dividend yield based upon the per share dividends declared by its Board of Directors. Estimated forfeiture rates were 12.22% and 11.52% as of June 30, 2021 and 2020, respectively.

Restricted Stock and Restricted Stock Units

J2 Global has awarded restricted stock and restricted stock units to its Board of Directors and senior staff pursuant to certain share-based compensation plans. Compensation expense resulting from restricted stock and restricted unit grants is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. Vesting periods are approximately one year for awards to members of the Company's Board of Directors, four or five years for senior staff (excluding market-based awards discussed below) and eight years for the Chief Executive Officer.

Restricted Stock and Restricted Stock Units with Market Conditions

J2 Global has awarded certain key employees market-based restricted stock and restricted stock units pursuant to the 2015 Plan. The market-based shares have vesting conditions that are based on specified stock price targets of the Company's common stock. Market conditions were factored into the grant date fair value using a Monte Carlo valuation model, which utilized multiple input variables to determine the probability of the Company achieving the specified stock price targets with a 20-day and 30-day lookback (trading days). Stock-based compensation expense related to an award with a market condition will be recognized over the requisite service period using the graded-vesting method regardless of whether the market condition is satisfied, provided that the requisite service period has been completed. During the six months ended June 30, 2021 and 2020, the Company awarded 73,094 and 82,112 market-based shares, respectively. The per share weighted average grant-date fair values of the market-based shares granted during the six months ended June 30, 2021 and 2020 were \$94.40 and \$70.99, respectively.

The weighted-average fair values of market-based shares granted have been estimated utilizing the following assumptions:

	June 30, 2021	June 30, 2020
Underlying stock price at valuation date	\$ 113.27	\$ 91.17
Expected volatility	30.3 %	27.0 %
Risk-free interest rate	1.3 %	0.7 %

Restricted stock award activity for the six months ended June 30, 2021 is set forth below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2021	820,566	\$ 62.66
Granted	—	—
Vested	(334,294)	64.02
Canceled	(2,067)	82.38
Nonvested at June 30, 2021	484,205	\$ 61.62

Restricted stock unit award activity for the six months ended June 30, 2021 is set forth below:

	Number of Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	209,784		
Granted	163,380		
Vested	(100,224)		
Canceled	—		
Outstanding at June 30, 2021	272,940	3.4	\$ 37,542,897
Vested and expected to vest at June 30, 2021	182,186	2.8	\$ 25,059,725

The Company recognized \$5.4 million and \$5.7 million of compensation expense related to restricted stock, restricted stock units and market-based awards for the three months ended June 30, 2021 and 2020, respectively, and \$10.7 million and \$11.3 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and December 31, 2020, the Company had unrecognized share-based compensation cost of approximately \$43.8 million and \$38.6 million, respectively, associated with these awards. This cost is expected to be recognized over a weighted-average period of 3.9 years for awards and 4.3 years for units.

Employee Stock Purchase Plan

The Purchase Plan provides for the issuance of a maximum of two million shares of the Company's common stock. Under the Purchase Plan, eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of J2 Global common stock at certain plan-defined dates. The price of the J2 Global common stock purchased under the Purchase Plan for the offering periods is equal to 85% of the lesser of the fair market value of a share of common stock of the Company on the beginning or the end of the offering period.

J2 Global determined that a plan provision exists which allows for the more favorable of two exercise prices, commonly referred to as a "look-back" feature. The purchase price discount and the look-back feature cause the Purchase Plan to be compensatory and the Company to recognize compensation expense. The compensation cost is recognized on a straight-line basis over the requisite service period. The Company used the Black-Scholes option pricing model to calculate the estimated fair value of the purchase right issued under the ESPP. The expected volatility is based on historical volatility of the Company's common stock. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected term of the option assumed at the date of grant. The Company uses an annualized dividend yield based upon the per share dividends declared by its Board of Directors. Estimated forfeiture rates were 11.15% and 16.50% as of June 30, 2021 and 2020, respectively. The increase in forfeiture rate comes as a result of the Purchase Plan being offered to all employees regardless of employment location.

For the six months ended June 30, 2021 and 2020, 58,145 and 53,694 shares were purchased under the Purchase Plan, respectively. Cash received upon the issuance of J2 Global common stock under the Purchase Plan was \$4.2 million and \$3.3 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, 0 shares were available under the Purchase Plan for future issuance.

The Company recognized \$0.7 million and \$0.6 million of compensation expense related to the Purchase Plan for the three months ended June 30, 2021 and 2020, respectively, and \$1.3 million and \$1.1 million for the six months ended June 30, 2021 and 2020, respectively.

The compensation expense related to the Purchase Plan has been estimated utilizing the following assumptions:

	June 30, 2021	June 30, 2020
Risk-free interest rate	0.02%	0.1%
Expected term (in years)	0.5	0.5
Dividend yield	0.00%	0.00%
Expected volatility	29.5%	24.0%
Weighted average volatility	29.5%	24.0%

15. Earnings Per Share

The components of basic and diluted earnings per share are as follows (in thousands, except share and per share data):

	Three Months Ended June 30, 2021		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator for basic and diluted net income per common share:				
Net income attributable to J2 Global, Inc. common shareholders	\$ 15,717	\$ 38,101	\$ 93,640	\$ 31,697
Net income available to participating securities ^(a)	(15)	(178)	(100)	(221)
Net income available to J2 Global, Inc. common shareholders	\$ 15,702	\$ 37,923	\$ 93,540	\$ 31,476
Denominator:				
Weighted-average outstanding shares of common stock	44,613,533	46,850,944	44,506,933	47,235,859
Dilutive effect of:				
Equity incentive plans	138,714	—	123,708	20,037
Convertible debt ^(b)	2,776,655	586,611	2,500,338	1,023,521
Common stock and common stock equivalents	47,528,902	47,437,555	47,130,979	48,279,417
Net income per share:				
Basic	\$ 0.35	\$ 0.81	\$ 2.10	\$ 0.67
Diluted	\$ 0.33	\$ 0.80	\$ 1.98	\$ 0.65

^(a) Represents unvested share-based payment awards that contain certain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid).

^(b) Represents the incremental shares issuable upon conversion of the 3.25% Convertible Notes due June 15, 2029 (subsequently redeemed in full) and 1.75% Convertible Notes due November 1, 2026 by applying the treasury stock method when the average stock price exceeds the conversion price of the Convertible Notes (see Note 9 - Debt).

For the three and six months ended June 30, 2021 and 2020, there were zero options outstanding, respectively, which were excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common stock.

16. Segment Information

The Company's businesses are based on the organizational structure used by the chief operating decision maker ("CODM") for making operating and investment decisions and for assessing performance. The CODM views the Company as two businesses: Digital Media and Cloud Services. However, in accordance with the aggregation criteria within ASC Topic 280, J2 Global's operating segments have been aggregated into three reportable segments: (i) Digital Media; (ii) Voice, Backup, Security, and Consumer Privacy and Protection; and (iii) Fax and Martech.

The Company's Digital Media business is driven primarily by advertising and subscription revenues, has relatively higher sales and marketing expense and has seasonal strength in the fourth quarter. The Company's Cloud Services business is driven primarily by subscription revenues that are relatively higher margin, stable and predictable from quarter to quarter with minor seasonal weakness in the fourth quarter.

The accounting policies of the businesses are the same as those described in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2021. The Company evaluates performance based on revenue, gross margin and profit or loss from operations before income taxes, not including nonrecurring gains and losses and foreign exchange gains and losses.

Information on reportable segments and reconciliation to consolidated income from operations is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue by reportable segment:				
Digital Media	\$ 253,977	\$ 163,987	\$ 480,850	\$ 326,678
Cloud Services				
Fax and Martech	105,127	93,976	206,181	188,643
Voice, Backup, Security, and CPP	70,232	73,082	140,607	148,199
Cloud Services Total	175,359	167,058	346,788	336,842
Elimination of inter-segment revenues	(292)	(61)	(410)	(144)
Total segment revenues	429,044	330,984	827,228	663,376
Corporate ⁽¹⁾	—	—	—	1
Total revenues	\$ 429,044	\$ 330,984	\$ 827,228	\$ 663,377
Gross profit by reportable segment:				
Digital Media	\$ 228,698	\$ 146,649	\$ 434,759	\$ 288,569
Cloud Services				
Fax and Martech	85,760	77,245	169,749	156,714
Voice, Backup, Security, and CPP	51,334	50,386	101,760	102,341
Cloud Services Total	137,094	127,631	271,509	259,055
Elimination of inter-segment gross profit	(76)	(61)	(126)	(144)
Total segment gross profit	365,716	274,219	706,142	547,480
Corporate ⁽¹⁾	(9)	(37)	(74)	(36)
Total gross profit	\$ 365,707	\$ 274,182	\$ 706,068	\$ 547,444
Direct costs by reportable segment ⁽²⁾ :				
Digital Media ⁽³⁾	\$ 184,592	\$ 126,748	\$ 360,010	\$ 260,215
Cloud Services				
Fax and Martech ⁽³⁾	34,116	27,204	65,052	57,134
Voice, Backup, Security, and CPP ⁽³⁾	39,944	35,631	79,949	78,186
Cloud Services Total	74,060	62,835	145,001	135,320
Elimination of inter-segment direct costs	(76)	(61)	(126)	(144)
Total segment direct costs	258,576	189,522	504,885	395,391
Corporate ⁽¹⁾	12,847	11,620	28,419	23,766
Total direct costs ⁽²⁾	\$ 271,423	\$ 201,142	\$ 533,304	\$ 419,157
Operating income by reportable segment:				
Digital Media	\$ 44,106	\$ 19,901	\$ 74,749	\$ 28,354
Cloud Services				

Fax and Martech	51,644	50,041	104,697	99,580
Voice, Backup, Security, and CPP	11,390	14,755	21,811	24,155
Cloud Services Total	63,034	64,796	126,508	123,735
Total segment operating income	107,140	84,697	201,257	152,089
Corporate ⁽¹⁾	(12,856)	(11,657)	(28,493)	(23,802)
Total income from operations	\$ 94,284	\$ 73,040	\$ 172,764	\$ 128,287

⁽¹⁾ Corporate includes costs associated with general and administrative and other expenses that are managed on a global basis and that are not directly attributable to any particular segment.

⁽²⁾ Direct costs for each segment include other operating expenses that are directly attributable to the segment, such as employee compensation expense, local sales and marketing expenses, engineering and network operations expense, depreciation and amortization and other administrative expenses.

⁽³⁾ Beginning in the third quarter of 2020, certain expenses associated with Corporate that were previously allocated to the Cloud Services business and the Digital Media business for shared costs incurred by Corporate were no longer allocated. Table above has been recast to remove the impact of certain expenses associated with Corporate that were previously allocated to the Cloud Services and Digital Media businesses.

The CODM does not use Balance Sheet and Cash Flow information in connection with operating and investment decisions other than as presented for Digital Media and Cloud Services. Accordingly, the following segment information is presented for Digital Media and Cloud Services.

	June 30, 2021	December 31, 2020
Assets:		
Digital Media	\$ 1,957,615	\$ 2,088,397
Cloud Services ⁽¹⁾	1,577,022	1,473,398
Total assets from Digital Media and Cloud Services	3,534,637	3,561,795
Corporate	168,729	103,536
Total assets	<u>\$ 3,703,366</u>	<u>\$ 3,665,331</u>

⁽¹⁾ Assets of \$107.1 million, which were classified as held for sale, were included within Cloud Services at June 30, 2021 (see Note 6 - Assets Held For Sale).

	Six Months Ended June 30,	
	2021	2020
Capital expenditures:		
Digital Media	\$ 38,047	\$ 29,441
Cloud Services	19,719	21,096
Total capital expenditures from Digital Media and Cloud Services	57,766	50,537
Corporate	—	—
Total capital expenditures	<u>\$ 57,766</u>	<u>\$ 50,537</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Depreciation and amortization:				
Digital Media	\$ 49,076	\$ 32,565	\$ 97,426	\$ 65,120
Cloud Services	15,615	16,992	32,662	37,831
Total depreciation and amortization from Digital Media and Cloud Services	64,691	49,557	130,088	102,951
Corporate	45	531	138	1,117
Total depreciation and amortization	<u>\$ 64,736</u>	<u>\$ 50,088</u>	<u>\$ 130,226</u>	<u>\$ 104,068</u>

J2 Global maintains operations in the U.S., Canada, Ireland, Japan and other countries. Geographic information about the U.S. and all other countries for the reporting periods is presented below. Such information attributes revenues based on jurisdictions where revenues are reported (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
United States	\$ 328,531	\$ 261,157	\$ 580,602	\$ 531,466
Canada	20,909	17,000	44,450	33,570
Ireland	29,823	12,570	88,261	25,573
All other countries	49,781	40,257	113,915	72,768
	<u>\$ 429,044</u>	<u>\$ 330,984</u>	<u>\$ 827,228</u>	<u>\$ 663,377</u>

	June 30, 2021	December 31, 2020
Long-lived assets:		
United States	\$ 858,369	\$ 918,125
All other countries	78,952	54,073
Total ⁽¹⁾	<u>\$ 937,321</u>	<u>\$ 972,198</u>

⁽¹⁾ Long-lived assets of \$38.1 million, which were classified as assets held for sale, were included within the schedule above at June 30, 2021.

17. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of tax, for the three months ended June 30, 2021 (in thousands):

	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Total
Beginning balance	\$ 283	\$ (63,513)	\$ (63,230)
Other comprehensive income	—	3,256	3,256
Net current period other comprehensive income	—	3,256	3,256
Ending balance	<u>\$ 283</u>	<u>\$ (60,257)</u>	<u>\$ (59,974)</u>

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of tax, for the six months ended June 30, 2021 (in thousands):

	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Total
Beginning balance	\$ 283	\$ (55,089)	\$ (54,806)
Other comprehensive loss	—	(5,168)	(5,168)
Net current period other comprehensive loss	—	(5,168)	(5,168)
Ending balance	<u>\$ 283</u>	<u>\$ (60,257)</u>	<u>\$ (59,974)</u>

There were no reclassifications out of accumulated other comprehensive loss for the three and six months ended June 30, 2021.

18. Subsequent Events

On July 15, 2021, in a cash transaction, the Company acquired certain assets of Solutelia, LLC, a Colorado-based on-demand wireless telecommunications network monitoring and analysis, testing and optimization software business and related wireless telecommunications engineering services business.

On August 2, 2021, the Company called and redeemed in full all of its outstanding 3.25% Convertible Notes due 2029. The Company satisfied its conversion obligation by paying the principal of \$399.6 million in cash and issued 3,031,817 shares of J2 Global common stock (see Note 9 - Debt).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

In addition to historical information, we have also made forward-looking statements in this report. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed below, the risk factors discussed in Part II, Item 1A - "Risk Factors" of this Quarterly Report on Form 10-Q (if any) and in Part I, Item 1A - "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 (together, the "Risk Factors"), and the factors discussed in the section in this Quarterly Report on Form 10-Q entitled "Quantitative and Qualitative Disclosures About Market Risk." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the Risk Factors and the risk factors set forth in other documents we file from time to time with the SEC.

Some factors that could cause actual results to differ materially from those anticipated in these forward-looking statements include, but are not limited to, our ability and intention to:

- Sustain growth or profitability, particularly in light of an uncertain U.S. or worldwide economy and the related impact on customer acquisition and retention rates, customer usage levels, and credit and debit card payment declines;
- Maintain and increase our Cloud Services customer base and average revenue per user;
- Generate sufficient cash flow to make interest and debt payments, reinvest in our business, and pursue desired activities and businesses plans while satisfying restrictive covenants relating to debt obligations;
- Acquire businesses on acceptable terms and successfully integrate and realize anticipated synergies from such acquisitions;
- Continue to expand our businesses and operations internationally in the wake of numerous risks, including adverse currency fluctuations, difficulty in staffing and managing international operations, higher operating costs as a percentage of revenues, or the implementation of adverse regulations;
- Maintain our financial position, operating results and cash flows in the event that we incur new or unanticipated costs or tax liabilities, including those relating to federal and state income tax and indirect taxes, such as sales, value-added and telecommunication taxes;
- Accurately estimate the assumptions underlying our effective worldwide tax rate;
- Maintain favorable relationships with critical third-party vendors whose financial condition will not negatively impact the services they provide;
- Create compelling digital media content causing increased traffic and advertising levels; additional advertisers or an increase in advertising spend; and effectively target digital media advertisements to desired audiences;
- Manage certain risks inherent to our business, such as costs associated with fraudulent activity, system failure or security breach; effectively maintaining and managing our billing systems; time and resources required to manage our legal proceedings; liability for legal and other claims; or adhering to our internal controls and procedures;
- Compete with other similar providers with regard to price, service, and functionality;
- Cost-effectively procure, retain and deploy large quantities of telephone numbers in desired locations in the United States and abroad;
- Achieve business and financial objectives in light of burdensome domestic and international telecommunications, internet or other regulations, including regulations related to data privacy, access, security, retention, and sharing;
- Successfully manage our growth, including but not limited to our operational and personnel-related resources, and integration of newly acquired businesses;

- Successfully adapt to technological changes and diversify services and related revenues at acceptable levels of financial return;
- Successfully develop and protect our intellectual property, both domestically and internationally, including our brands, patents, trademarks and domain names, and avoid infringing upon the proprietary rights of others;
- Recruit and retain key personnel; and
- The form, terms, timing and ability to complete the proposed spin-off transaction or the sale of the B2B Backup business.

In addition, other factors that could cause actual results to differ materially from those anticipated in these forward-looking statements or materially impact our financial results include the risks associated with new accounting pronouncements, as well as those associated with natural disasters, public health crises, pandemics including the COVID-19 outbreak and other catastrophic events outside of our control, including as to COVID-19 the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, and the direct and indirect impact of the pandemic on our customers, third parties and us.

Overview

J2 Global, Inc., together with its subsidiaries (“J2 Global”, “our”, “us” or “we”), is a leading provider of internet information and services. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Our Cloud Services business provides cloud-based subscription services to consumers and businesses including cloud fax, cybersecurity, privacy and marketing technology.

Our Digital Media business generates revenues from advertising and sponsorships, subscription and usage fees, performance marketing and licensing fees. Our Cloud Services business generates revenues primarily from customer subscription and usage fees.

In addition to growing our business organically, on a regular basis we acquire businesses to grow our customer bases, expand and diversify our service offerings, enhance our technologies, acquire skilled personnel and enter into new markets.

Our consolidated revenues are currently generated from three basic business models, each with different financial profiles and variability. Our Digital Media business is driven primarily by advertising revenues, has relatively higher sales and marketing expense and has seasonal strength in the fourth quarter. Our Cloud Services business is driven primarily by subscription revenues that are relatively higher margin, stable and predictable from quarter to quarter with some minor seasonal weakness in the fourth quarter. We continue to pursue additional acquisitions, which may include companies operating under business models that differ from those we operate under today. Such acquisitions could impact our consolidated profit margins and the variability of our revenues.

J2 Global was incorporated in 2014 as a Delaware corporation through the creation of a holding company structure, and our Cloud Services business, operated by our wholly owned subsidiary, J2 Cloud Services, LLC (formerly J2 Cloud Services, Inc.), and its subsidiaries, was founded in 1995.

Digital Media Performance Metrics

We use certain metrics to generally assess the operational and financial performance of our Digital Media business. The number of visits is an important metric because it is an indicator of consumers’ level of engagement with our mobile applications, websites and other services. We believe highly engaged consumers are more likely to participate in advertising programs and other activities that derive our multiple revenue streams.

We define a visit as a group of interactions by users with our mobile and desktop applications and websites. A single visit can contain multiple page views and actions, and a single user can open multiple visits across domains, web browsers, desktop or mobile devices. We measure visits with Google Analytics and through partner platform measures. Page views are measured each time a page on our websites is loaded in a browser.

The following table sets forth certain key operating metrics for our Digital Media business for the three and six months ended June 30, 2021 and 2020 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Visits	2,116	2,359	4,407	4,504
Page views	7,276	7,553	15,032	14,720

Sources: Google Analytics and Partner Platforms and test results in connection with Ookla

⁽¹⁾ To more accurately reflect customer activity at Ookla, we have shifted to using tests as the basis instead of Google Analytics, resulting in pro-forma adjustments to data in Q1 2020.

Cloud Services Performance Metrics

We use certain metrics to generally assess the operational and financial performance of our Cloud Services business; these metrics also serve as a baseline for (a) internal trends and (b) benchmarking against competitors. The average monthly revenue per customer can be used as an analytical tool in determining the marginal economics of customer acquisition, which is particularly useful as we continue to focus on growing our higher-margin businesses. We also use this metric, in conjunction with the cancel rate, to help provide a directional indicator of Cloud Services revenue and calculate the lifetime value of customers within each of our business units.

The following table sets forth certain key operating metrics for our Cloud Services business as of and for the three and six months ended June 30, 2021 and 2020 (in thousands, except for percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Subscriber revenues:				
Fixed ⁽¹⁾	\$ 147,594	\$ 140,755	\$ 292,039	\$ 282,241
Variable ⁽¹⁾	27,598	26,285	54,440	54,547
Total subscriber revenues	\$ 175,192	\$ 167,040	\$ 346,479	\$ 336,788
Other license revenues	91	18	183	54
Total revenues	\$ 175,283	\$ 167,058	\$ 346,662	\$ 336,842
Percentage of total subscriber revenues:				
Fixed	84.2 %	84.3 %	84.3 %	83.8 %
Variable	15.8 %	15.7 %	15.7 %	16.2 %
Total revenues:				
Number-based	\$ 97,376	\$ 94,988	\$ 194,516	\$ 191,502
Non-number-based	77,907	72,070	152,146	145,340
Total revenues	\$ 175,283	\$ 167,058	\$ 346,662	\$ 336,842
Average monthly revenue per Cloud Business Customer (ARPU) ⁽²⁾⁽³⁾	\$ 14.89	\$ 13.66	\$ —	\$ —
Cancel Rate ⁽⁴⁾	1.9 %	2.2 %	— %	— %

⁽¹⁾ The first quarter 2020 disclosure of \$144.8 million in fixed subscriber revenue included \$3.3 million of revenue which was subsequently determined to be variable subscriber revenue. As a result, the fixed and variable subscriber revenue have been corrected in the table above.

- (2) Quarterly ARPU is calculated using our standard convention of applying the average of the quarter's beginning and ending base to the total revenue for the quarter. We believe ARPU provides investors an understanding of the average monthly revenues we recognize associated with each Cloud Services customer. As ARPU varies based on fixed subscription fee and variable usage components, we believe it can serve as a measure by which investors can evaluate trends in the types of services, levels of services and the usage levels of those services across our Cloud Services customer base.
- (3) Cloud Services customers are defined as paying direct inward dialing numbers for fax and voice services, and direct and resellers' accounts for other services.
- (4) Cancel Rate is defined as cancels of small and medium business and individual Cloud Services customers with greater than four months of continuous service (continuous service includes Cloud Services customers administratively canceled and reactivated within the same calendar month), and enterprise Cloud Services customers beginning with their first day of service. Calculated monthly and expressed as an average over the three months of the quarter.

Critical Accounting Policies and Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements. Actual results could differ significantly from those estimates under different assumptions and conditions. Our critical accounting policies are described in our 2020 Annual Report on Form 10-K filed with the SEC on March 1, 2021. During the three months ended June 30, 2021, there were no significant changes in our critical accounting policies and estimates.

Results of Operations for the Three and Six Months Ended June 30, 2021

Digital Media

We expect the revenue for the remainder of fiscal year 2021 to be higher compared to the prior-year comparable period due to the acquisition of RetailMeNot and organic growth, subject to the continued risk of the COVID-19 pandemic. We expect the Digital Media business to improve as we integrate our recent acquisitions and over the longer term as advertising transactions continue to shift from offline to online, but these initiatives will be offset by the impact of COVID-19 in the near term. The main focus of our advertising programs is to provide relevant and useful advertising to visitors to our websites and those included within our advertising networks, reflecting our commitment to constantly improve their overall web experience. As a result, we expect to continue to take steps to improve the relevance of the ads displayed on our websites and those included within our advertising networks.

The operating margin we realize on revenues generated from ads placed on our websites is significantly higher than the operating margin we realize from revenues generated from those placed on third-party websites. Growth in advertising revenues from our websites has generally exceeded that from third-party websites. This trend has had a positive impact on our operating margins, and we expect that this will continue for the foreseeable future. However, the trend in advertising spend is shifting to mobile devices and other newer advertising formats which generally experience lower margins than those from desktop computers and tablets. We expect this trend to continue to put pressure on our margins.

We expect acquisitions to remain an important component of our strategy and use of capital in this business; however, we cannot predict whether our current pace of acquisitions will remain the same within this business, especially in light of the current macroeconomic conditions. In a given period, we may close greater or fewer acquisitions than in prior periods or acquisitions of greater or lesser significance than in prior periods. Moreover, future acquisitions of businesses within this space but with different business models may impact Digital Media's overall profit margins.

Cloud Services

Assuming a stable or improving economic environment, and, subject to our risk factors, we expect 2021 revenue to be higher compared to the prior-year. The main strategic focus of our Cloud Services offerings is to reduce or eliminate costs, increase sales and enhance productivity, mobility, business continuity and security of our customers as the technologies and devices they use evolve over time. As a result, we expect to continue to take steps to enhance our existing offerings and offer new services to continue to satisfy the evolving needs of our customers.

We expect acquisitions to remain an important component of our strategy and use of capital in this business; however, we cannot predict whether our current pace of acquisitions will remain the same within this business, especially in light of the current macroeconomic conditions. In a given period, we may close greater or fewer acquisitions than in prior periods or acquisitions of greater or lesser significance than in prior periods. Moreover, future acquisitions of businesses within this space but with different business models may impact Cloud Services' overall profit margins.

J2 Global Consolidated

Based on the trends discussed above with respect to our Cloud Services and Digital Media businesses, we anticipate our consolidated revenue for fiscal year 2021 to be higher compared to the prior-year comparable period.

We expect operating profit as a percentage of revenues to generally decrease in the future primarily due to the fact that revenue with respect to our Digital Media business (i) is increasing as a percentage of our revenue on a consolidated basis and (ii) has historically operated at a lower operating margin.

Revenues

(in thousands, except percentages)

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues	\$429,044	\$330,984	30%	\$827,228	\$663,377	25%

Our revenues consist of revenues from our Digital Media and Cloud Services businesses. Digital Media revenues primarily consist of advertising revenues, subscriptions earned through the granting of access to, or delivery of, certain data products or services to customers, fees paid for generating business leads, and licensing and sale of editorial content and trademarks. Cloud Services revenues primarily consist of revenues from "fixed" customer subscription revenues and "variable" revenues generated from actual usage of our services.

Our revenues in 2021 have increased over the comparable three and six month periods of 2020 primarily due to a combination of acquisitions and organic growth; partially offset by declines in certain areas of both the Digital Media and Cloud Services businesses.

Cost of Revenues

(in thousands, except percentages)

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Cost of revenue	\$63,337	\$56,802	12%	\$121,160	\$115,933	5%
As a percent of revenue	15%	17%		15%	17%	

Cost of revenues is primarily comprised of costs associated with content fees, editorial and production costs and hosting costs. The increase in cost of revenues for the three months ended June 30, 2021 was primarily due to higher content fees, campaign fulfillment and other editorial and production costs and increased hosting costs. The increase in cost of revenues for the six months ended June 30, 2021 was primarily due to higher content fees, editorial and production costs and hosting costs and increased depreciation.

Operating Expenses

Sales and Marketing.

(in thousands, except percentages)

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Sales and Marketing	\$134,103	\$92,805	44%	\$255,288	\$192,243	33%
As a percent of revenue	31%	28%		31%	29%	

Our sales and marketing costs consist primarily of internet-based advertising, sales and marketing, personnel costs and other business development-related expenses. Our internet-based advertising relationships consist primarily of fixed cost and performance-based (cost-per-impression, cost-per-click and cost-per-acquisition) advertising relationships with an array of online service providers. Advertising cost for the three months ended June 30, 2021 was \$69.5 million (primarily consists of \$41.2 million of third-party advertising costs and \$21.6 million of personnel costs) compared to the second quarter of 2020 of \$33.9 million (primarily consists of \$23.4 million of third-party advertising costs and \$8.9 million of personnel costs). Advertising cost for the six months ended June 30, 2021 was \$132.4 million (primarily consists of \$75.6 million of third-party advertising costs and \$45.4 million of personnel costs) compared to 2020 of \$72.8 million (primarily consists of \$50.7 million of third-party advertising costs and \$18.4 million of personnel costs). The increase in sales and marketing expenses for the three and six months ended June 30, 2021 versus the prior comparable period was primarily due to increased creative services, sales, advertising operations, advertising and product development costs associated with the acquisition of businesses acquired in and subsequent to the second quarter 2020 within the Digital Media and Cloud Services businesses.

Research, Development and Engineering.

(in thousands, except percentages)

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Research, Development and Engineering	\$19,644	\$13,606	44%	\$40,995	\$29,012	41%
As a percent of revenue	5%	4%		5%	4%	

Our research, development and engineering costs consist primarily of personnel-related expenses. The increase in research, development and engineering costs for the three and six months ended June 30, 2021 versus the prior comparable period was primarily due to an increase in costs associated with businesses acquired in and subsequent to the second quarter 2020.

General and Administrative.

(in thousands, except percentages)

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
General and Administrative	\$117,676	\$94,731	24%	\$237,021	\$197,902	20%
As a percent of revenue	27%	29%		29%	30%	

Our general and administrative costs consist primarily of personnel-related expenses, depreciation and amortization, changes in the fair value associated with contingent consideration, share-based compensation expense, bad debt expense, professional fees, severance and insurance costs. The increase in general and administrative expense for the three and six months ended June 30, 2021 versus the prior comparable period was primarily due to increased amortization of intangible assets, salary and related costs and professional fees.

Share-Based Compensation

The following table represents share-based compensation expense included in cost of revenues and operating expenses in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenues	\$ 117	\$ 143	\$ 249	\$ 277
Operating expenses:				
Sales and marketing	371	416	732	814
Research, development and engineering	557	484	1,077	915
General and administrative	5,206	5,487	10,305	10,837
Total	\$ 6,251	\$ 6,530	\$ 12,363	\$ 12,843

Non-Operating Income and Expenses

Interest expense, net. Our interest expense, net is generated primarily from interest expense due to outstanding debt, partially offset by interest income earned on cash, cash equivalents and investments. Interest expense, net was \$(21.4) million and \$(22.2) million for the three months ended June 30, 2021 and 2020, respectively, and \$(43.0) million and \$(43.2) million for the six months ended June 30, 2021 and 2020, respectively. Interest expense, net was comparable between the periods.

Gain on sale of businesses. Our gain on sale of businesses is generated primarily from the sale of certain Voice assets in the United Kingdom in the first quarter of 2021 with a subsequent adjustment in the second quarter of 2021. Gain on sale of businesses was \$0.8 million and zero for the three months ended June 30, 2021 and 2020, respectively. Gain on sale of businesses was \$2.8 million and zero for the six months ended June 30, 2021 and 2020, respectively.

Goodwill impairment on business. Our goodwill impairment on business is generated from the impairment of the B2B Backup business in the second quarter of 2021. Goodwill impairment on business was \$32.6 million and zero for the three and six months ended June 30, 2021 and 2020, respectively.

Loss on investments, net. Our loss on investments, net is generated from gains or losses from investments in equity and debt securities. Our loss on investments, net was \$16.7 million and zero for the three months ended June 30, 2021 and 2020 and \$16.7 million and \$20.8 million for the six months ended June 30, 2021 and 2020, respectively. Our loss on investments, net increased for the three months ended June 30, 2021 versus the prior comparable period related to a decline in value due to a pending sale transaction of an investee. Our loss on investments, net decreased for the six months ended June 30, 2021 versus the prior comparable period due to lower net losses realized on certain investments as a result of an impairment recognized in the current period and changes in the investee's capital structure and overall market volatility recognized in the prior comparable period.

Other income (expense), net. Our other income (expense), net is generated primarily from miscellaneous items and gain or losses on currency exchange. Other income (expense), net was \$(0.8) million and \$9.1 million for the three months ended June 30, 2021 and 2020, respectively and \$(0.3) million and \$2.2 million for the six months ended June 30, 2021 and 2020, respectively. Other income (expense), net changed for the three and six months ended June 30, 2021 versus the prior comparable periods primarily due to changes in gain or losses on currency exchange.

Income Taxes

Our effective tax rate is based on pre-tax income, statutory tax rates, tax regulations (including those related to transfer pricing) and different tax rates in the various jurisdictions in which we operate. The tax bases of our assets and liabilities reflect our best estimate of the tax benefits and costs we expect to realize. When necessary, we establish valuation allowances to reduce our deferred tax assets to an amount that will more likely than not be realized.

Provision for income taxes amounted to \$2.2 million and \$16.0 million for the three months ended June 30, 2021 and 2020, respectively, and \$7.9 million and \$24.7 million for the six months ended June 30, 2021 and 2020, respectively. Our

effective tax rate was 9.1% and 26.7% for the three months ended June 30, 2021 and 2020, respectively, and 9.5% and 37.1% for the six months ended June 30, 2021 and 2020, respectively.

The decrease in our effective income tax rate for the three months ended June 30, 2021 was primarily attributable to the following:

1. a decrease in tax expense during 2021 due to recognizing a deferred tax asset related to the impairment of certain business units; and
2. a decrease in tax expense due to discrete tax benefits related to a reduction in our net reserve for uncertain tax positions with no similar events for the three months ended June 30, 2020; partially offset by
3. an increase in our effective income tax rate during 2021 for U.S. state and local taxes due to a greater portion of our income being subject to tax in the U.S.

The decrease in our effective income tax rate for the six months ended June 30, 2021 was primarily attributable to the following:

1. a decrease in tax expense during 2021 due to recognizing a deferred tax asset related to the impairment of certain business units; and
2. a decrease in tax expense due to discrete tax benefits related to a reduction in our net reserve for uncertain tax positions with no similar events for the six months ended June 30, 2020; partially offset by
3. an increase in our effective income tax rate during 2021 for U.S. state and local taxes due to a greater portion of our income being subject to tax in the U.S.

Significant judgment is required in determining our provision for income taxes and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. Certain of these tax positions have in the past been, and are currently being, challenged, and this may have a significant impact on our effective tax rate if our tax reserves are insufficient.

Equity Method Investment

Income (loss) from equity method investment, net. Income (loss) from equity method investment, net is generated from our investment in the OCV Fund for which we receive annual audited financial statements. The investment in the OCV Fund is presented net of tax and on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

The income (loss) from equity method investment, net was \$(5.8) million and \$(5.8) million net of tax benefit (expense) for the three months ended June 30, 2021 and 2020, respectively, and \$18.5 million and \$(10.1) million, for the six months ended June 30, 2021 and 2020, respectively. The six months ended June, 30, 2021 gain was primarily a result of a gain on the underlying investments. During the three months ended June 30, 2021 and 2020, the Company recognized management fees of \$0.8 million and \$0.8 million, net of tax benefit, respectively, and for the six months ended June 30, 2021 and 2020, the Company recognized management fees of \$1.5 million and \$1.5 million, net of tax benefit, respectively.

Digital Media and Cloud Services Results

Our businesses are based on the organization structure used by management for making operating and investment decisions and for assessing performance and have been aggregated into two businesses: (i) Digital Media; and (ii) Cloud Services.

We evaluate the performance of our businesses based on revenues, including both external and interbusiness net sales, and operating income. We account for interbusiness sales and transfers based primarily on standard costs with reasonable mark-ups established between the businesses. Identifiable assets by business are those assets used in the respective business' operations. Corporate assets consist of cash and cash equivalents, deferred income taxes and certain other assets. All significant interbusiness amounts are eliminated to arrive at our consolidated financial results.

Digital Media

The following results are presented for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
External net sales	\$ 253,761	\$ 163,926	\$ 480,566	\$ 326,534
Inter-business net sales	216	61	284	144
Net sales	253,977	163,987	480,850	326,678
Cost of revenues	25,355	17,338	46,217	38,109
Gross profit	228,622	146,649	434,633	288,569
Operating expenses	184,516	129,829	359,884	266,797
Operating income	\$ 44,106	\$ 16,820	\$ 74,749	\$ 21,772

Digital Media's net sales of \$254.0 million for the three months ended June 30, 2021 increased \$90.0 million, or 54.9%, from the prior comparable period primarily due to business acquisitions. Digital Media's net sales of \$480.9 million for the six months ended June 30, 2021 increased \$154.2 million, or 47.2%, from the prior comparable period primarily due to business acquisitions.

Digital Media's gross profit of \$228.6 million for the three months ended June 30, 2021 increased \$82.0 million, or 55.9%, from the prior comparable period primarily due to business acquisitions. Digital Media's gross profit of \$434.6 million for the six months ended June 30, 2021 increased \$146.1 million, or 50.6%, from the prior comparable period primarily due to business acquisitions. Digital Media's operating expenses of \$184.5 million for the three months ended June 30, 2021 increased \$54.7 million from the prior comparable period. Digital Media's operating expenses of \$359.9 million for the six months ended June 30, 2021 increased \$93.1 million from the prior comparable period. The increase in the three and six months ended June 30, 2021 is primarily due to additional expense associated with businesses acquired in and subsequent to the prior comparable period including (a) additional salary and related costs including severance; (b) marketing and advertising costs; and (c) increased amortization of intangible assets.

As a result of these factors, Digital Media's operating income of \$44.1 million for the three months ended June 30, 2021 increased \$27.3 million, or 162.2%, from the prior comparable period. Digital Media's operating income of \$74.7 million for the six months ended June 30, 2021 increased \$53.0 million, or 243.3%, from the prior comparable period.

Cloud Services

The following results are presented for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
External net sales	\$ 175,283	\$ 167,058	\$ 346,662	\$ 336,842
Inter-business net sales	76	—	126	—
Net sales	175,359	167,058	346,788	336,842
Cost of revenues	38,265	39,427	75,279	77,787
Gross profit	137,094	127,631	271,509	259,055
Operating expenses	74,060	65,652	145,001	141,342
Operating income	\$ 63,034	\$ 61,979	\$ 126,508	\$ 117,713

Cloud Services' net sales of \$175.4 million for the three months ended June 30, 2021 increased \$8.3 million, or 5.0%, from the prior comparable period primarily due to business acquisitions acquired; partially offset by businesses sold subsequent to the second quarter 2020. Cloud Services' net sales of \$346.8 million for the six months ended June 30, 2021 increased \$9.9

million, or 3.0%, from the prior comparable period primarily due to business acquisitions acquired; partially offset by businesses sold subsequent to the second quarter 2020.

Cloud Services' gross profit of \$137.1 million for the three months ended June 30, 2021 increased \$9.5 million, or 7.4%, from the prior comparable period primarily due to business acquisitions; partially offset by businesses sold subsequent to the second quarter 2020. Cloud Services' gross profit of \$271.5 million for the six months ended June 30, 2021 increased \$12.5 million, or 4.8%, from the prior comparable period primarily due to business acquisitions; partially offset by businesses sold subsequent to the second quarter 2020.

Cloud Services' operating expenses of \$74.1 million for the three months ended June 30, 2021 increased \$8.4 million from the prior comparable period primarily due to expense associated with businesses acquired in and subsequent to the second quarter 2020 and increased marketing and advertising costs; partially offset by businesses sold subsequent to the prior comparable period. Cloud Services' operating expenses of \$145.0 million for the six months ended June 30, 2021 increased \$3.7 million from the prior comparable period primarily due to expense associated with businesses acquired in and subsequent to the second quarter 2020; partially offset by businesses sold subsequent to the prior comparable period including increased marketing and advertising costs.

As a result of these factors, Cloud Services' operating income of \$63.0 million for the three months ended June 30, 2021 increased \$1.1 million, or 1.7%, from the prior comparable period. Cloud Services' operating income of \$126.5 million for the six months ended June 30, 2021 increased \$8.8 million, or 7.5%, from the prior comparable period.

Liquidity and Capital Resources

Cash and Cash Equivalents and Investments

At June 30, 2021, we had cash, cash equivalents and investments of \$465.3 million compared to \$340.8 million at December 31, 2020. The increase in cash and investments resulted primarily from cash provided from operations; partially offset by cash used in business acquisitions, purchases of property and equipment (including capitalized labor), repurchase of common stock and investments. At June 30, 2021, cash and investments consisted of cash and cash equivalents of \$347.9 million, short-term investments of zero and long-term investments of \$117.4 million. Our investments consist of equity and debt securities. For financial statement presentation, we classify our debt securities primarily as short- and long-term based upon their maturity dates. Short-term investments mature within one year of the date of the financial statements and long-term investments mature one year or more from the date of the financial statements. As of June 30, 2021, cash and investments held within domestic and foreign jurisdictions were \$335.7 million and \$129.6 million, respectively.

On April 7, 2021, J2 Global, Inc. entered into a Credit Agreement (the "Credit Agreement") with certain lenders from time to time party thereto (collectively, the "Lenders") and MUFG Union Bank, N.A., as administrative agent, collateral agent and sole lead arranger for the Lenders (the "Agent"). Pursuant to the Credit Agreement, the Lenders have provided J2 with a revolving credit facility of \$100 million (the "Credit Facility"). Subject to customary conditions, J2 may, from time to time, request increases in the commitments under the Credit Agreement in an aggregate amount up to \$250 million, for a total aggregate commitment of up to \$350 million. The proceeds of the Credit Facility are intended to be used for working capital and general corporate purposes of J2 and its subsidiaries, including to finance certain permitted acquisitions and capital expenditures in accordance with the terms of the Credit Agreement. The final maturity of the Credit Facility will occur on April 7, 2026.

On April 19, 2021, we announced plans to separate into two independent publicly traded companies, J2 Global, Inc. and Consensus, through a spin-off. The transaction is subject to certain conditions, including, among others, obtaining final approval from J2's Board of Directors, receipt of a favorable ruling with respect to the tax-free nature of the transaction for favorable income tax purposes and the effectiveness of a registration statement on Form 10.

On June 2, 2021, we entered into a First Amendment (the “Amendment”) to Credit Agreement, dated as of April 7, 2021 (the “Existing Credit Agreement”), The Amendment (i) provides for the issuance of a senior secured term loan under the Existing Credit Agreement, in an aggregate principal amount of \$405,000,000 (the “Bridge Loan Facility”), (ii) permits the spin-off of a portion of J2’s Cloud Services business into a new publicly traded company, and (iii) provides for certain other changes to the Existing Credit Agreement as set forth in the Amendment. Citicorp North America, Inc. has committed to provide \$243,000,000 of the Bridge Loan Facility and MUFG Union Bank, N.A. has committed to provide \$162,000,000 of the Bridge Loan Facility.

In connection with its announcement of the proposed transaction, we announced our intention to redeem our 3.25% Convertible Senior Notes due 2029, and we subsequently redeemed all of the outstanding 3.25% Convertible Senior Notes due 2029 effective August 2, 2021. The cash portion of the redemption price for the principal amount of the notes was funded by the Bridge Loan Facility, with the remainder of the redemption price funded through the issuance of shares of J2 Global common stock.

On September 25, 2017, the Board of Directors of the Company authorized the Company’s entry into a commitment to invest \$200 million in an investment fund (the “Fund”) over several years at a fairly ratable rate. The manager, OCV Management, LLC (“OCV”), and general partner of the Fund are entities with respect to which Richard S. Ressler, Chairman of the Board of Directors (the “Board”) of the Company, is indirectly the majority equity holder. As a limited partner in the Fund, the Company will pay an annual management fee to the manager equal to 2.0% (reduced by 10% each year beginning with the sixth year) of capital commitments. In addition, subject to the terms and conditions of the Fund’s limited partnership agreement, once the Company has received distributions equal to its invested capital, the Fund’s general partner will be entitled to a carried interest equal to 20%. The Fund has a six year investment period, subject to certain exceptions. The commitment was approved by the Audit Committee of the Board in accordance with the Company’s related-party transaction approval policy.

In the first six months of 2021, the Company received capital call notices from the management of OCV Management, LLC for \$11.1 million, inclusive of certain management fees. Of the outstanding balance, \$10.1 million has been paid for the six months ended June 30, 2021.

We currently anticipate that our existing cash and cash equivalents and cash generated from operations will be sufficient to meet our anticipated needs for working capital, capital expenditures and stock repurchases, if any, for at least the next 12 months.

Cash Flows

Our primary sources of liquidity are cash flows generated from operations, together with cash and cash equivalents. Net cash provided by operating activities was \$290.0 million and \$241.6 million for the six months ended June 30, 2021 and 2020, respectively. Our operating cash flows resulted primarily from cash received from our customers offset by cash payments we made to third parties for their services, employee compensation and interest payments associated with our debt. The increase in our net cash provided by operating activities in 2021 compared to 2020 was attributable to additional income after considering noncash items, less cash outflow associated with accounts payable and accrued expenses and increased cash inflow associated with deferred revenue; partially offset by higher income tax payments. Our cash and cash equivalents were \$347.9 million and \$242.7 million at June 30, 2021 and December 31, 2020, respectively.

Net cash used in investing activities was \$152.6 million and \$96.9 million for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, net cash used in investing activities was primarily due to business acquisitions and capital expenditures associated with the purchase of property and equipment (including capitalized labor) and the purchase of investments; partially offset by proceeds from the sale of businesses. The increase in our net cash used in investing activities in 2021 compared to 2020 was primarily due to additional cash used for business acquisitions.

Net cash used in financing activities was \$31.6 million and \$101.5 million for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021, net cash used in financing activities was primarily due to repurchase of common stock and business acquisitions. The change in net cash used in financing activities in 2021 compared to 2020 was primarily attributable to lower repurchases of common stock and business acquisitions.

Stock Repurchase Program

In February 2012, the Company's Board of Directors approved a program authorizing the repurchase of up to five million shares of our common stock through February 20, 2013 (the "2012 Program") which was subsequently extended through February 20, 2021.

In November 2018 and May 2019, the Company entered into Rule 10b5-1 trading plans with a broker to facilitate the repurchase program. 600,000 shares were repurchased under the share repurchase program in 2018 at an aggregate cost of \$42.5 million and were subsequently retired in March 2019.

During the year ended December 31, 2019, the Company repurchased 197,870 shares at an aggregate cost of \$16.0 million which were subsequently retired in the same year.

During the year ended December 31, 2020, the Company repurchased 1,140,819 shares under this program at an aggregate cost of \$87.5 million, which were subsequently retired in the same year. As of December 31, 2020, all the available shares were repurchased under the 2012 Program at an aggregate cost of \$204.6 million (including an immaterial amount of commission fees).

On August 6, 2020, the Company's Board of Directors approved a program authorizing the repurchase of up to 10 million shares of our common stock through August 6, 2025 (the "2020 Program") in addition to the five million shares repurchased under the 2012 Program. During the three month period ended June 30, 2021, we repurchased no shares under this program. Cumulatively at June 30, 2021, 2,490,599 shares were repurchased at an aggregate cost of \$177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of June 30, 2021

Contractual Obligations	Payments Due in (in thousands)						Total
	2021	2022	2023	2024	2025	Thereafter	
Long-term debt - principal (a)	\$ 399,613	\$ —	\$ —	\$ —	\$ —	\$ 1,300,000	\$ 1,699,613
Long-term debt - interest (b)	24,089	44,313	44,313	44,313	44,313	183,063	384,404
Bridge loan (c)	—	2,811	—	—	—	—	2,811
Operating leases (d)	18,250	33,715	27,952	20,062	11,672	31,642	143,293
Finance leases (e)	279	315	30	—	—	—	624
Telecom services and co-location facilities (f)	2,528	1,663	389	5	—	—	4,585
Holdback payments (g)	4,145	13,688	—	—	—	—	17,833
Transition tax (h)	—	—	—	3,189	8,486	—	11,675
Self-Insurance (i)	13,574	9,285	—	—	—	—	22,859
Other (j)	758	598	—	—	—	—	1,356
Total	\$ 463,236	\$ 106,388	\$ 72,684	\$ 67,569	\$ 64,471	\$ 1,514,705	\$ 2,289,053

(a) These amounts represent principal on long-term debt.

(b) These amounts represent interest on long-term debt.

(c) These amounts represent principal on short-term debt.

(d) These amounts represent undiscounted future minimum rental commitments under noncancellable operating leases.

(e) These amounts represent undiscounted future minimum rental commitments under noncancellable finance leases.

(f) These amounts represent service commitments to various telecommunication providers.

(g) These amounts represent the holdback amounts in connection with certain business acquisitions.

(h) These amounts represent commitments related to the transition tax on unrepatriated foreign earnings reduced by the 2017 overpayment of US Federal Income Tax.

(i) These amounts represent health and dental insurance plans in connection to self-insurance.

(j) These amounts represent certain consulting and Board of Directors fee arrangements, software license and implementation commitments and others.

As of June 30, 2021, our liability for uncertain tax positions was \$53.5 million. The future payments related to uncertain tax positions have not been presented in the table above due to the uncertainty of the amounts and timing of cash settlement with such authorities.

We have not presented contingent consideration associated with acquisitions (other than contingent consideration which we have deemed as certain in terms of amount and timing) in the table above due to the uncertainty of the amounts and the timing of cash settlements. We have also not presented our remaining commitment to OCV Management, LLC of approximately \$82.9 million due to the uncertainty of timing of funding requests.

Off-Balance Sheet Arrangements

We are not party to any material off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of the market risks we face contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties. Actual results could differ materially from those discussed in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. J2 Global undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document and in the other documents incorporated by reference herein, including our Annual Report on Form 10-K for the year ended December 31, 2020 as well as in other documents we file from time to time with the SEC, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed or to be filed by us in 2021.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and borrowings under our Credit Facility that bear variable market interest rates. The primary objectives of our investment activities are to preserve our principal while at the same time maximizing yields without significantly increasing risk. To achieve these objectives, we maintain our portfolio of cash equivalents and investments in a mix of instruments that meet high credit quality standards, as specified in our investment policy or otherwise approved by the Board of Directors. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of June 30, 2021, the carrying value of our cash and cash equivalents approximated fair value. Our return on these investments is subject to interest rate fluctuations.

As of June 30, 2021, we had investments in debt securities with effective maturities greater than one year of approximately zero. As of June 30, 2021 and December 31, 2020, we had cash and cash equivalent investments primarily in money market funds with maturities of 90 days or less of \$347.9 million and \$242.7 million, respectively.

On April 7, 2021, J2 Global, Inc. entered into a Credit Agreement (“Credit Agreement”) with certain lenders from time to time party thereto (collectively, the “Lenders”) and MUFG Union Bank, N.A., as administrative agent, collateral agent and sole lead arranger for the Lenders (the “Agent”). Pursuant to the Credit Agreement, the Lenders have provided J2 with a revolving credit facility of \$100 million (the “Credit Facility”). Subject to customary conditions, J2 may, from time to time, request increases in the commitments under the Credit Agreement in an aggregate amount up to \$250 million, for a total aggregate commitment of up to \$350 million. The proceeds of the Credit Facility are intended to be used for working capital and general corporate purposes of J2 and its subsidiaries, including to finance certain permitted acquisitions and capital expenditures in accordance with the terms of the Credit Agreement.

At J2's option, amounts borrowed under the Credit Agreement will bear interest at either (i) a base rate equal to the greatest of (x) the Federal Funds Effective Rate (as defined in the Credit Agreement) in effect on such day plus ½ of 1% per annum, (y) the rate of interest per annum most recently announced by the Agent as its U.S. Dollar “Reference Rate” and (z) one month LIBOR plus 1.00% or (ii) a rate per annum equal to LIBOR divided by 1.00 minus the LIBOR Reserve Requirements (as defined in the Credit Agreement), in each case, plus an applicable margin. The applicable margin relating to any base rate loan will range from 0.50% to 1.25% and the applicable margin relating to any LIBOR loan will range from 1.50% to 2.25%, in each case, depending on the total leverage ratio of J2. The final maturity of the Credit Facility will occur on April 7, 2026. J2 is permitted to make voluntary prepayments of the Credit Facility at any time without payment of a premium or penalty.

On June 2, 2021, J2 Global, Inc. entered into a First Amendment (the “Amendment”) to Credit Agreement, dated as of April 7, 2021 (the “Existing Credit Agreement”). The Amendment (i) provides for the issuance of a senior secured term loan under the Existing Credit Agreement, in an aggregate principal amount of \$405,000,000 (the “Bridge Loan Facility”), (ii) permits the spin-off of a portion of J2's Cloud Services business into a new publicly traded company, and (iii) provides for certain other changes to the Existing Credit Agreement as set forth in the Amendment. Citicorp North America, Inc. has committed to provide \$243,000,000 of the Bridge Loan Facility and MUFG Union Bank, N.A. has committed to provide \$162,000,000 of the Bridge Loan Facility.

The loans under the Bridge Loan Facility (the “Bridge Loans”) bear interest at a rate per annum equal to (i) initially upon funding of the Bridge Loans, either a base rate plus 2.00%, or a LIBOR rate plus 3.00%, (ii) from six months after the funding date of the Bridge Loans until twelve months after the funding date of the Bridge Loans, either a base rate plus 2.50%, or a LIBOR rate plus 3.50%, and (iii) from twelve months after the funding date of the Bridge Loans until repayment of the Bridge Loans, either a base rate plus 3.00% or a LIBOR rate plus 4.00%. The Bridge Loan Facility will mature on the date that

is 364 days after the funding date of the Bridge Loans, with two automatic extensions, each for an additional three months, if the spin-off transaction has not been declared effective. The proceeds of the Bridge Loan Facility were used to redeem J2's 3.25% Convertible Senior Notes due 2029.

We cannot ensure that future interest rate movements will not have a material adverse effect on our future business, prospects, financial condition, operating results and cash flows. To date, we have not entered into interest rate hedging transactions to control or minimize certain of these risks.

Foreign Currency Risk

We conduct business in certain foreign markets, primarily in Canada, Australia and the European Union. Our principal exposure to foreign currency risk relates to investment and inter-company debt in foreign subsidiaries that transact business in functional currencies other than the U.S. Dollar, primarily the Australian Dollar, the Canadian Dollar, the Euro, the Hong Kong Dollar, the Japanese Yen, the New Zealand Dollar, the Norwegian Kroner and the British Pound Sterling. If we are unable to settle our short-term inter-company debts in a timely manner, we remain exposed to foreign currency fluctuations.

As we expand our international presence, we become further exposed to foreign currency risk by entering new markets with additional foreign currencies. The economic impact of currency exchange rate movements is often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies.

As currency exchange rates change, translation of the income statements of the international businesses into U.S. Dollars affects year-over-year comparability of operating results, the impact of which is immaterial to the comparisons set forth in this Quarterly Report on Form 10-Q.

Historically, we have not hedged translation risks because cash flows from international operations were generally reinvested locally; however, we may do so in the future. Our objective in managing foreign exchange risk is to minimize the potential exposure to changes that exchange rates might have on earnings, cash flows and financial position.

Foreign exchange gain (losses) for the three months ended June 30, 2021 and 2020 were \$(0.9) million and \$8.8 million, respectively, and for the six months ended June 30, 2021 and 2020 were \$(0.4) million and \$(1.1) million, respectively. The decrease in losses to our earnings in the three months ended June 30, 2021 were attributable to lower inter-company balances between periods in foreign subsidiaries that were in functional currencies other than the U.S. Dollar and exchange rate fluctuations.

Cumulative translation adjustments, net of tax, included in other comprehensive income for the three months ended June 30, 2021 and 2020 were \$3.3 million and \$(0.2) million, respectively, and for the six months ended June 30, 2021 and 2020 were \$(5.2) million and \$(8.9) million, respectively.

We currently do not have derivative financial instruments for hedging, speculative or trading purposes and therefore are not subject to such hedging risk. However, we may in the future engage in hedging transactions to manage our exposure to fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, J2 Global's management, with the participation of Vivek Shah, our principal executive officer, and R. Scott Turicchi, our principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, Mr. Shah and Mr. Turicchi

concluded that these disclosure controls and procedures were effective as of the end of the period covered in this Quarterly Report on Form 10-Q.

(b) Changes in Internal Controls

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) which occurred during the second quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 11 – Commitments and Contingencies of the Notes to Financial Statements (Part I, Item 1) for information regarding certain legal proceedings in which we are involved.

Item 1A. Risk Factors

In addition to the other information set forth in this report, before deciding to invest in J2 Global or to maintain or increase your investment, you should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 and in Part II, Item 1A “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the “10-K/10-Q Risk Factors”) as well as in other documents we file from time to time with the SEC, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed or to be filed by us in 2021. If any of these risks occur, our business, prospects, financial condition, operating results and cash flows could be materially adversely affected. The 10-K/10-Q Risk Factors are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. There have been no material changes from the 10-K/10-Q Risk Factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Issuer Purchases of Equity Securities

Effective February 15, 2012, the Company’s Board of Directors approved a program authorizing the repurchase of up to five million shares of our common stock through February 20, 2013 (the “2012 Program”) which was subsequently extended through February 20, 2021.

In November 2018 and May 2019, the Company entered into Rule 10b5-1 trading plans with a broker to facilitate the repurchase program. 600,000 shares were repurchased under the share repurchase program in 2018 at an aggregate cost of \$42.5 million and were subsequently retired in March 2019. During the year ended December 31, 2019, the Company repurchased 197,870 shares at an aggregate cost of \$16.0 million which were subsequently retired in the same year. During the year ended December 31, 2020, the Company repurchased 1,140,819 shares under this program at an aggregate cost of \$87.5 million, which were subsequently retired in the same year. As of December 31, 2020, all the available shares were repurchased under the 2012 Program at an aggregate cost of \$204.6 million (including an immaterial amount of commission fees).

On August 6, 2020, the Company’s Board of Directors approved a program authorizing the repurchase of up to 10 million shares of our common stock through August 6, 2025 (the “2020 Program”) in addition to the five million shares repurchased under the 2012 Program. During the six month period ended June 30, 2021, the Company repurchased no shares under this program. Cumulatively at June 30, 2021, 2,490,599 shares were repurchased at an aggregate cost of \$177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired. See Note 13, “Stockholders’ Equity” of the Notes to the Condensed Consolidated Financial Statements.

The following table details the repurchases that were made under and outside the 2020 Program during the three months ended June 30, 2021:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program
April 1, 2021 - April 30, 2021	47,789	\$ 121.41	—	7,509,401
May 1, 2021 - May 31, 2021	25,900	\$ 121.54	—	7,509,401
June 1, 2021 - June 30, 2021	13,466	\$ 133.59	—	7,509,401
Total	87,155		—	7,509,401

⁽¹⁾ Includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with employee stock options and/or the vesting of restricted stock issued to employees.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

6. Exhibits

Item

- [3.1](#) Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of June 10, 2014 (1)
- [3.2](#) Amendment to Amended and Restated Certificate of Incorporation of J2 Global, Inc. dated as of September 5, 2019 (2)
- [3.3](#) Third Amended and Restated By-Laws (2)
- [10.1](#) Credit Agreement, dated as of April 7, 2021, among J2 Global, Inc., the Lenders from time to time party thereto and MUFG Union Bank, N.A., as Administrative Agent and Collateral Agent (3)
- [10.2](#) First Amendment to Credit Agreement, dated as of June 2, 2021, by and among J2 Global, Inc., the subsidiaries of J2 Global, Inc. party thereto as guarantors, Citicorp North America Inc. and MUFG (4) Union Bank, N.A., as lenders, and MUFG Union Bank, N.A., as administrative agent for the lenders.
- [31.1](#) Rule 13a-14(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [31.2](#) Rule 13a-14(a) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [32.1](#) Section 1350 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- [32.2](#) Section 1350 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following financial information from J2 Global, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2021 and 2020, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020, (v) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2021 and 2020, and (vi) the Notes to Condensed Consolidated Financial Statements.
- 104 Cover Page Interactive Data File - the cover page from J2 Global, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 is formatted in Inline XBRL
- (1) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on June 10, 2014.
- (2) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on November 1, 2019.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J2 Global, Inc.

Date: August 9, 2021

By: /s/ VIVEK SHAH

Vivek Shah
Chief Executive Officer and a Director
(Principal Executive Officer)

Date: August 9, 2021

By: /s/ R. SCOTT TURICCHI

R. Scott Turicchi
President and Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2021

By: /s/ STEVE P. DUNN

Steve P. Dunn
Chief Accounting Officer

INDEX TO EXHIBITS

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vivek Shah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J2 Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ VIVEK SHAH

Vivek Shah

Chief Executive Officer and a Director
(Principal Executive Officer)

Dated: August 9, 2021

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Scott Turicchi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J2 Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2021

/s/ R. SCOTT TURICCHI

R. Scott Turicchi
President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vivek Shah, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The accompanying quarterly report on Form 10-Q for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of J2 Global, Inc.

/s/ VIVEK SHAH

Vivek Shah

Chief Executive Officer and a Director
(Principal Executive Officer)

Dated: August 9, 2021

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to J2 Global, Inc. and will be retained by J2 Global, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Scott Turicchi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The accompanying quarterly report on Form 10-Q for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of J2 Global, Inc.

/s/ R. SCOTT TURICCHI

R. Scott Turicchi
President and Chief Financial Officer
(Principal Financial Officer)

Dated: August 9, 2021

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to J2 Global, Inc. and will be retained by J2 Global, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.