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

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**FORM 10-Q**

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

**For the quarterly period ended June 30, 2022**

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**

**Ziff  
Davis**

**ZIFF DAVIS, 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.)

**114 5th Avenue New York, New York 10011 (212) 503-3500**  
(Address and telephone number of principal executive offices)

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

| Title of each class            | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|-------------------------------------------|
| Common Stock, \$0.01 par value | ZD                | 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 <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-Accelerated filer <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
| Emerging growth company <input type="checkbox"/>            |                                            |                                                |                                                    |

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 ☒

There were 47,191,454 shares outstanding of the Registrant's common stock as of August 5, 2022.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**QUARTERLY REPORT**  
**QUARTER ENDED JUNE 30, 2022**

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited, in thousands except share and per share data)

|                                                                                                                                                                            | June 30, 2022       | December 31, 2021   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                                                                                                                                              |                     |                     |
| Cash and cash equivalents                                                                                                                                                  | \$ 648,290          | \$ 694,842          |
| Short-term investments                                                                                                                                                     | 72,535              | 229,200             |
| Accounts receivable, net of allowances of \$8,116 and \$9,811, respectively (includes \$6,152 and \$9,272 due from related party, respectively)                            | 243,300             | 316,342             |
| Prepaid expenses and other current assets                                                                                                                                  | 60,956              | 60,290              |
| Total current assets                                                                                                                                                       | 1,025,081           | 1,300,674           |
| Long-term investments                                                                                                                                                      | 128,460             | 122,593             |
| Property and equipment, net                                                                                                                                                | 166,152             | 161,209             |
| Operating lease right-of-use assets                                                                                                                                        | 48,565              | 55,617              |
| Trade names, net                                                                                                                                                           | 147,621             | 147,761             |
| Customer relationships, net                                                                                                                                                | 248,522             | 275,451             |
| Goodwill                                                                                                                                                                   | 1,603,340           | 1,531,455           |
| Other purchased intangibles, net                                                                                                                                           | 140,597             | 149,513             |
| Deferred income taxes, noncurrent                                                                                                                                          | 7,321               | 5,917               |
| Other assets                                                                                                                                                               | 27,436              | 20,090              |
| <b>TOTAL ASSETS</b>                                                                                                                                                        | <b>\$ 3,543,095</b> | <b>\$ 3,770,280</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                |                     |                     |
| Accounts payable and accrued expenses                                                                                                                                      | \$ 191,922          | \$ 226,621          |
| Income taxes payable, current                                                                                                                                              | 4,027               | 3,151               |
| Deferred revenue, current                                                                                                                                                  | 194,522             | 185,571             |
| Operating lease liabilities, current                                                                                                                                       | 24,867              | 27,156              |
| Current portion of long-term debt                                                                                                                                          | 68,506              | 54,609              |
| Other current liabilities                                                                                                                                                  | 203                 | 130                 |
| Total current liabilities                                                                                                                                                  | 484,047             | 497,238             |
| Long-term debt                                                                                                                                                             | 1,033,695           | 1,036,018           |
| Deferred revenue, noncurrent                                                                                                                                               | 9,246               | 14,839              |
| Operating lease liabilities, noncurrent                                                                                                                                    | 43,634              | 53,708              |
| Income taxes payable, noncurrent                                                                                                                                           | 11,675              | 11,675              |
| Liability for uncertain tax positions                                                                                                                                      | 43,597              | 42,546              |
| Deferred income taxes                                                                                                                                                      | 88,217              | 108,982             |
| Other long-term liabilities                                                                                                                                                | 34,788              | 37,542              |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                   | <b>1,748,899</b>    | <b>1,802,548</b>    |
| Commitments and contingencies (Note 9)                                                                                                                                     | —                   | —                   |
| 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 47,191,337 and 47,440,137 shares at June 30, 2022 and December 31, 2021, respectively. | 472                 | 474                 |
| Additional paid-in capital                                                                                                                                                 | 426,104             | 509,122             |
| Retained earnings                                                                                                                                                          | 1,451,316           | 1,515,358           |
| Accumulated other comprehensive loss                                                                                                                                       | (83,696)            | (57,222)            |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                                                                                                                                          | <b>1,794,196</b>    | <b>1,967,732</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                          | <b>\$ 3,543,095</b> | <b>\$ 3,770,280</b> |

See Notes to Condensed Consolidated Financial Statements (Unaudited)

**ZIFF DAVIS, 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, |            |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------|------------|---------------------------|------------|
|                                                                                                                   | 2022                        | 2021       | 2022                      | 2021       |
| Total revenues                                                                                                    | \$ 337,356                  | \$ 341,293 | \$ 652,424                | \$ 652,950 |
| Cost of revenues <sup>(1)</sup>                                                                                   | 46,004                      | 48,785     | 92,104                    | 92,637     |
| Gross profit                                                                                                      | 291,352                     | 292,508    | 560,320                   | 560,313    |
| Operating expenses:                                                                                               |                             |            |                           |            |
| Sales and marketing <sup>(1)</sup>                                                                                | 123,777                     | 120,421    | 241,539                   | 228,372    |
| Research, development and engineering <sup>(1)</sup>                                                              | 19,721                      | 17,705     | 38,148                    | 37,380     |
| General and administrative <sup>(1)</sup>                                                                         | 101,967                     | 111,698    | 204,184                   | 224,996    |
| Goodwill impairment on business                                                                                   | —                           | 32,629     | —                         | 32,629     |
| Total operating expenses                                                                                          | 245,465                     | 282,453    | 483,871                   | 523,377    |
| Income from operations                                                                                            | 45,887                      | 10,055     | 76,449                    | 36,936     |
| Interest expense, net                                                                                             | (6,956)                     | (21,013)   | (18,466)                  | (42,490)   |
| Gain on sale of businesses                                                                                        | —                           | 823        | —                         | 2,802      |
| Unrealized loss on short-term investments                                                                         | (27,317)                    | —          | (18,366)                  | —          |
| Loss on investments, net                                                                                          | (48,243)                    | (16,677)   | (48,243)                  | (16,677)   |
| Other income (loss), net                                                                                          | 6,345                       | (816)      | 8,744                     | (573)      |
| (Loss) income from continuing operations before income taxes and (loss) income from equity method investment, net | (30,284)                    | (27,628)   | 118                       | (20,002)   |
| Income tax expense (benefit)                                                                                      | 10,051                      | (10,334)   | 15,131                    | (17,218)   |
| (Loss) income from equity method investment, net                                                                  | (6,101)                     | (5,751)    | (6,886)                   | 18,519     |
| Net (loss) income from continuing operations                                                                      | (46,436)                    | (23,045)   | (21,899)                  | 15,735     |
| Income from discontinued operations, net of income taxes                                                          | —                           | 38,762     | —                         | 77,905     |
| Net (loss) income                                                                                                 | \$ (46,436)                 | \$ 15,717  | \$ (21,899)               | \$ 93,640  |
| Net (loss) income per common share from continuing operations:                                                    |                             |            |                           |            |
| Basic                                                                                                             | \$ (0.99)                   | \$ (0.52)  | \$ (0.47)                 | \$ 0.35    |
| Diluted                                                                                                           | \$ (0.99)                   | \$ (0.52)  | \$ (0.47)                 | \$ 0.33    |
| Net income per common share from discontinued operations:                                                         |                             |            |                           |            |
| Basic                                                                                                             | \$ —                        | \$ 0.87    | \$ —                      | \$ 1.75    |
| Diluted                                                                                                           | \$ —                        | \$ 0.87    | \$ —                      | \$ 1.65    |
| Net (loss) income per common share:                                                                               |                             |            |                           |            |
| Basic                                                                                                             | \$ (0.99)                   | \$ 0.35    | \$ (0.47)                 | \$ 2.10    |
| Diluted                                                                                                           | \$ (0.99)                   | \$ 0.35    | \$ (0.47)                 | \$ 1.98    |
| Weighted average shares outstanding:                                                                              |                             |            |                           |            |
| Basic                                                                                                             | 46,978,709                  | 44,613,533 | 47,016,351                | 44,506,933 |
| Diluted                                                                                                           | 46,978,709                  | 44,613,533 | 47,016,351                | 47,130,979 |
| <sup>(1)</sup> Includes share-based compensation expense as follows:                                              |                             |            |                           |            |
| Cost of revenues                                                                                                  | \$ 142                      | \$ 67      | \$ 226                    | \$ 150     |
| Sales and marketing                                                                                               | 1,106                       | 278        | 1,675                     | 544        |
| Research, development and engineering                                                                             | 852                         | 458        | 1,481                     | 876        |
| General and administrative                                                                                        | 5,603                       | 5,066      | 11,038                    | 10,029     |
| Total                                                                                                             | \$ 7,703                    | \$ 5,869   | \$ 14,420                 | \$ 11,599  |

See Notes to Condensed Consolidated Financial Statements (Unaudited)

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(Unaudited, in thousands)

|                                                | <b>Three Months Ended June 30,</b> |                  | <b>Six Months Ended June 30,</b> |                  |
|------------------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                                | <b>2022</b>                        | <b>2021</b>      | <b>2022</b>                      | <b>2021</b>      |
| Net (loss) income                              | \$ (46,436)                        | \$ 15,717        | \$ (21,899)                      | \$ 93,640        |
| Other comprehensive (loss) income, net of tax: |                                    |                  |                                  |                  |
| Foreign currency translation adjustment        | (24,265)                           | 3,256            | (30,530)                         | (5,168)          |
| Consensus separation adjustment                | —                                  | —                | 4,056                            | —                |
| Other comprehensive (loss) income, net of tax  | (24,265)                           | 3,256            | (26,474)                         | (5,168)          |
| Comprehensive (loss) income                    | <u>\$ (70,701)</u>                 | <u>\$ 18,973</u> | <u>\$ (48,373)</u>               | <u>\$ 88,472</u> |

See Notes to Condensed Consolidated Financial Statements (Unaudited)

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, in thousands)

|                                                                                          | <b>Six Months Ended June 30,</b> |             |
|------------------------------------------------------------------------------------------|----------------------------------|-------------|
|                                                                                          | <b>2022</b>                      | <b>2021</b> |
| Cash flows from operating activities:                                                    |                                  |             |
| Net (loss) income                                                                        | \$ (21,899)                      | \$ 93,640   |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                                  |             |
| Depreciation and amortization                                                            | 118,943                          | 130,226     |
| Amortization of financing costs and discounts                                            | 1,398                            | 14,058      |
| Non-cash operating lease costs                                                           | 5,913                            | 6,714       |
| Share-based compensation                                                                 | 14,420                           | 12,363      |
| Provision for credit losses on accounts receivable                                       | (1,376)                          | 4,329       |
| Deferred income taxes, net                                                               | (10,266)                         | (11,853)    |
| Gain on extinguishment of debt, net                                                      | (1,393)                          | —           |
| Gain on sale of businesses                                                               | —                                | (2,802)     |
| Lease asset impairments and other charges                                                | 168                              | 7,829       |
| Goodwill impairment on business                                                          | —                                | 32,629      |
| Changes in fair value of contingent consideration                                        | (9)                              | 562         |
| Foreign currency remeasurement gain                                                      | 549                              | 415         |
| Loss (income) from equity method investments                                             | 6,886                            | (18,519)    |
| Unrealized loss on short-term investments                                                | 18,366                           | —           |
| Loss on investments, net                                                                 | 48,243                           | 16,677      |
| Decrease (increase) in:                                                                  |                                  |             |
| Accounts receivable (includes \$8,351 and \$0 with related parties)                      | 77,168                           | 65,312      |
| Prepaid expenses and other current assets                                                | 5,804                            | (7,720)     |
| Operating lease right-of-use assets                                                      | 2,260                            | 689         |
| Other assets                                                                             | (7,250)                          | (701)       |
| Increase (decrease) in:                                                                  |                                  |             |
| Accounts payable and accrued expenses                                                    | (45,329)                         | (23,438)    |
| Income taxes payable                                                                     | 8,825                            | (15,123)    |
| Deferred revenue                                                                         | (11,882)                         | 2,499       |
| Operating lease liabilities                                                              | (13,721)                         | (14,218)    |
| Liability for uncertain tax positions                                                    | 403                              | (3,567)     |
| Other long-term liabilities                                                              | (3,737)                          | 21          |
| Net cash provided by operating activities                                                | 192,484                          | 290,022     |
| Cash flows from investing activities:                                                    |                                  |             |
| Proceeds from sale of available-for-sale investments                                     | —                                | 663         |
| Investment in available-for-sale securities                                              | (15,000)                         | —           |
| Purchases of equity method investment                                                    | —                                | (11,053)    |
| Purchases of equity investments                                                          | —                                | (999)       |
| Purchases of property and equipment                                                      | (53,876)                         | (57,766)    |
| Proceeds from sale of assets                                                             | —                                | 6,033       |
| Acquisition of businesses, net of cash received                                          | (92,425)                         | (89,489)    |
| Net cash used in investing activities                                                    | (161,301)                        | (152,611)   |
| Cash flows from financing activities:                                                    |                                  |             |
| Payment of debt                                                                          | (72,853)                         | (2,802)     |
| Proceeds from term loan                                                                  | 89,991                           | 2,811       |
| Debt extinguishment costs                                                                | (756)                            | —           |
| Repurchase of common stock                                                               | (76,345)                         | (22,934)    |
| Issuance of common stock under employee stock purchase plan                              | 5,235                            | 4,232       |
| Exercise of stock options                                                                | 148                              | 1,331       |

|                                                                                          |            |            |
|------------------------------------------------------------------------------------------|------------|------------|
| Deferred payments for acquisitions                                                       | (7,094)    | (12,934)   |
| Other                                                                                    | (5)        | (1,294)    |
| Net cash used in financing activities                                                    | (61,679)   | (31,590)   |
| Effect of exchange rate changes on cash and cash equivalents                             | (16,056)   | (616)      |
| Net change in cash and cash equivalents                                                  | (46,552)   | 105,205    |
| Cash and cash equivalents at beginning of period                                         | 694,842    | 242,652    |
| Cash and cash equivalents at beginning of period associated with discontinued operations | —          | 66,210     |
| Cash and cash equivalents at beginning of period associated with continuing operations   | 694,842    | 176,442    |
| Cash and cash equivalents at end of period                                               | 648,290    | 347,857    |
| Cash and cash equivalents at end of period associated with discontinued operations       | —          | 107,666    |
| Cash and cash equivalents at end of period associated with continuing operations         | \$ 648,290 | \$ 240,191 |

See Notes to Condensed Consolidated Financial Statements (Unaudited)

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Three and Six Months Ended June 30, 2021 and 2022**  
(Unaudited, in thousands, except share amounts)

|                                                        | Three Months Ended June 30, 2021 |        |                            |                   |                                      |                            |
|--------------------------------------------------------|----------------------------------|--------|----------------------------|-------------------|--------------------------------------|----------------------------|
|                                                        | Common stock                     |        | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Total Stockholders' Equity |
|                                                        | Shares                           | Amount |                            |                   |                                      |                            |
| <b>Balance, April 1, 2021</b>                          | 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 zero | —                                | —      | —                          | —                 | 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                           | —      | —                          | —                 | —                                    | —                          |
| Issuance of restricted stock, net                      | 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                      |
| <b>Balance, June 30, 2021</b>                          | 44,708,235                       | \$ 447 | \$ 461,422                 | \$ 892,605        | \$ (59,974)                          | \$ 1,294,500               |
|                                                        | Three Months Ended June 30, 2022 |        |                            |                   |                                      |                            |
|                                                        | Common stock                     |        | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Total Stockholders' Equity |
|                                                        | Shares                           | Amount |                            |                   |                                      |                            |
| <b>Balance, April 1, 2022</b>                          | 46,952,300                       | \$ 470 | \$ 415,653                 | \$ 1,508,802      | \$ (59,431)                          | \$ 1,865,494               |
| Net loss                                               | —                                | —      | —                          | (46,436)          | —                                    | (46,436)                   |
| Other comprehensive loss, net of tax expense of zero   | —                                | —      | —                          | —                 | (24,265)                             | (24,265)                   |
| Issuance of shares under employee stock purchase plan  | 76,741                           | 1      | 5,234                      | —                 | —                                    | 5,235                      |
| Restricted stock issued, net                           | 354,407                          | 3      | (3)                        | —                 | —                                    | —                          |
| Repurchase and retirement of common stock              | (192,111)                        | (2)    | (2,483)                    | (11,050)          | —                                    | (13,535)                   |
| Share based compensation                               | —                                | —      | 7,703                      | —                 | —                                    | 7,703                      |
| <b>Balance, June 30, 2022</b>                          | 47,191,337                       | \$ 472 | \$ 426,104                 | \$ 1,451,316      | \$ (83,696)                          | \$ 1,794,196               |



**Six months ended June 30, 2021**

|                                                        | <b>Common stock</b> |               | <b>Additional<br/>paid-in<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>loss</b> | <b>Total<br/>Stockholders'<br/>Equity</b> |
|--------------------------------------------------------|---------------------|---------------|-------------------------------------------|------------------------------|---------------------------------------------------------|-------------------------------------------|
|                                                        | <b>Shares</b>       | <b>Amount</b> |                                           |                              |                                                         |                                           |
| <b>Balance, January 1, 2021</b>                        | 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 zero | —                   | —             | —                                         | —                            | (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                                        |
| <b>Balance, June 30, 2021</b>                          | <b>44,708,235</b>   | <b>447</b>    | <b>461,422</b>                            | <b>892,605</b>               | <b>(59,974)</b>                                         | <b>1,294,500</b>                          |

**Six Months Ended June 30, 2022**

|                                                                                                               | <b>Common stock</b> |               | <b>Additional<br/>paid-in<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>loss</b> | <b>Total<br/>Stockholders'<br/>Equity</b> |
|---------------------------------------------------------------------------------------------------------------|---------------------|---------------|-------------------------------------------|------------------------------|---------------------------------------------------------|-------------------------------------------|
|                                                                                                               | <b>Shares</b>       | <b>Amount</b> |                                           |                              |                                                         |                                           |
| <b>Balance, January 1, 2022</b>                                                                               | 47,440,137          | \$ 474        | \$ 509,122                                | \$ 1,515,358                 | \$ (57,222)                                             | \$ 1,967,732                              |
| Reclassification of the equity component of 1.75% Convertible Notes to liability upon adoption of ASU 2020-06 | —                   | —             | (88,137)                                  | 23,436                       | —                                                       | (64,701)                                  |
| Net loss                                                                                                      | —                   | —             | —                                         | (21,899)                     | —                                                       | (21,899)                                  |
| Other comprehensive loss, net of tax expense of zero                                                          | —                   | —             | —                                         | —                            | (30,530)                                                | (30,530)                                  |
| Exercise of stock options                                                                                     | 5,439               | —             | 148                                       | —                            | —                                                       | 148                                       |
| Issuance of shares under employee stock purchase plan                                                         | 76,741              | 1             | 5,234                                     | —                            | —                                                       | 5,235                                     |
| Restricted stock issued, net                                                                                  | 455,792             | 4             | (4)                                       | —                            | —                                                       | —                                         |
| Repurchase and retirement of common stock                                                                     | (786,772)           | (7)           | (14,663)                                  | (61,675)                     | —                                                       | (76,345)                                  |
| Share based compensation                                                                                      | —                   | —             | 14,420                                    | —                            | —                                                       | 14,420                                    |
| Consensus separation adjustment                                                                               | —                   | —             | —                                         | (3,915)                      | 4,056                                                   | 141                                       |
| Other, net                                                                                                    | —                   | —             | (16)                                      | 11                           | —                                                       | (5)                                       |
| <b>Balance, June 30, 2022</b>                                                                                 | <b>47,191,337</b>   | <b>\$ 472</b> | <b>\$ 426,104</b>                         | <b>\$ 1,451,316</b>          | <b>\$ (83,696)</b>                                      | <b>\$ 1,794,196</b>                       |

**See Notes to Condensed Consolidated Financial Statements (Unaudited)**

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation and Overview**

The accompanying Condensed Consolidated Financial Statements of Ziff Davis, Inc. and its subsidiaries ("Ziff Davis", the "Company", "our", "us", or "we"), whether directly or indirectly wholly-owned, were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and all adjustments considered necessary for a fair presentation have been included. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim Condensed Consolidated Financial Statements 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"). The preparation of these Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. All normal recurring adjustments necessary for a fair presentation of these interim Condensed Consolidated Financial Statements were made.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") on March 15, 2022 and other filings with the SEC.

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.

*Description of Business*

Ziff Davis, Inc. is a vertically focused digital media and internet company whose portfolio includes leading brands in technology, entertainment, shopping, health, cybersecurity, and martech. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Our Cybersecurity and Martech business provides cloud-based subscription services to consumers and businesses including cybersecurity, privacy and marketing technology.

On October 7, 2021, in connection with the spin-off of its cloud fax business described further below, the Company changed its name from J2 Global, Inc. to Ziff Davis, Inc. Additionally, starting October 8, 2021, the Company's common stock began trading under the stock symbol "ZD."

*Discontinued Operations*

On October 7, 2021, the Company completed the separation of its cloud fax business (the "Separation") into an independent publicly traded company, Consensus Cloud Solutions, Inc. ("Consensus"). The Separation was achieved through the Company's distribution of 80.1% of the shares of Consensus common stock to holders of J2 Global common stock as of the close of business on October 1, 2021, the record date for the distribution. The Company's stockholders of record received one share of Consensus common stock for every three shares of J2 Global's common stock. Ziff Davis, Inc., formerly J2 Global, Inc., retained a 19.9% interest in Consensus following the Separation (the "Investment in Consensus"). The accounting requirements for reporting the Company's cloud fax business as a discontinued operation were met when the Separation was completed. Accordingly, the Condensed Consolidated Financial Statements reflect the results of the cloud fax business as a discontinued operation for all periods presented. Ziff Davis did not retain a controlling interest in Consensus.

On June 9, 2022, certain selling shareholders of Consensus executed an underwritten public offering pursuant to a registration statement filed by Consensus with the SEC for 2,000,000 shares of its common stock (including a 30-day option for the underwriters to purchase from the selling shareholders an additional 300,000 shares at the public offering price less the underwriting discount). On June 10, 2022, the Company entered into a Fifth Amendment to its existing Credit Agreement, providing for the issuance of a senior secured term loan under the Credit Agreement (the "Term Loan Facility"), in an aggregate principal amount of approximately \$90.0 million. During the three months ended June 30, 2022, the Company completed an exchange of 2,300,000 shares of its common stock of Consensus (the "Disposed Consensus Shares") with the selling shareholders to settle the Company's obligation to repay the \$90.0 million outstanding aggregate principal amount of the Term Loan Facility plus related interest (the "Debt-for-Equity Exchange") and the corresponding underwriting fees. Refer to Note 8 -

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*Debt* for further discussion. As of June 30, 2022, the Company continues to hold 1.7 million shares of common stock of Consensus (the “Retained Consensus Shares”). The Investment in Consensus represents the investment into equity securities for which the Company elected the fair value option and subsequent fair value changes in the Consensus shares are included in the assets of and results from continuing operations. Refer to Note 4 - *Investments* and Note 5 - *Discontinued Operations* for additional information.

*Allowances for Credit Losses*

The Company maintains an allowance for credit losses on 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*

The Company 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. Refer to Note 2 - *Revenues* for additional details.

*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*

We account for our investments in debt securities in accordance with ASC Topic 320, *Investments - Debt Securities* (“ASC 320”). Our debt investments are typically comprised of corporate debt securities, which are classified 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 on our Condensed Consolidated Balance Sheets. 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 on our Condensed Consolidated Balance Sheets.

We account for investments in equity securities in accordance with ASC Topic 321, *Investments - Equity Securities* (“ASC 321”), which requires the accounting for equity investments, other than those accounted for under the equity method of accounting, generally be measured at fair value for equity securities with readily determinable fair values. Equity securities without a readily determinable fair value, which are not accounted for under the equity method of accounting, are measured at

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

their cost, less impairment, if any, and adjusted for 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.

We assess whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions. Refer to Note 4 - *Investments* for additional information.

The Retained Consensus Shares are equity securities accounted for at fair value under the fair value option, and the related fair value gains and losses are recognized in earnings. As the initial carrying value of the Retained Consensus Shares was negative immediately following the Separation, the Company elected the fair value option under ASC 825-10-25 to support the initial recognition of the Retained Consensus Shares at fair value and the negative book value was recorded as a gain at the date of Separation. The fair value of Consensus common stock is readily available as Consensus is a publicly traded company.

*Variable Interest Entities ("VIEs")*

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") and in Group Black, Inc. ("Group Black"). 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 obligations 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. The Company 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 4 - *Investments*).

OCV qualifies as an investment company under ASC Topic 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.

Ziff Davis has variable interests in Group Black. Group Black is a limited partnership and is managed by its Board of Directors. As of June 30, 2022, the Company does not have voting rights in the investee and lacks the power and the ability to control or direct the significant economic operations of the investee. Ziff Davis is not a primary beneficiary and does not consolidate the entity under either the VIE model or the voting interest ("VOE") model. Refer to Note 4 - *Investments* for additional detail.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*Impairment or Disposal of Long-Lived Assets*

The Company 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 ASC Topic 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.

The Company assesses the impairment of identifiable definite-lived intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors it considers important which could individually or in combination trigger an impairment include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for the Company's overall business;
- Significant negative industry or economic trends;
- Significant decline in the Company's stock price for a sustained period; and
- The Company's market capitalization relative to net book value.

If the Company determined that the carrying value of definite-lived intangibles and long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment, it would record an impairment equal to the excess of the carrying amount of the asset over its estimated fair value.

The Company assessed whether events or changes in circumstances have occurred that potentially indicate the carrying amount of definite-lived assets may not be recoverable. During the six months ended June 30, 2022, the Company did not have any events or circumstances indicating impairment of long-lived assets. During the three and six months ended June 30, 2022, Ziff Davis recorded an impairment of certain operating right-of use assets in the amount of \$0.2 million. During the six months ended June 30, 2021, the Company recorded impairments of \$7.8 million 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.

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 and the transfer is expected to qualify for recognition as a sale within one year, (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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*Business Combinations and Valuation of Goodwill and Intangible Assets*

The Company 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, future revenue growth rates, gross and operating margins, customer attrition rates, royalty rates, discount rates and terminal growth rate assumptions. The Company 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 one to twenty 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 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 the Company 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 was more likely than not that the fair value of the reporting unit is less than its carrying amount, it then it performs an impairment test of 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. No impairments to goodwill or other intangible assets were recorded during the six months ended June 30, 2022.

*Contingent Consideration*

Certain of the Company'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. The Company 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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The Company measures its 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 6 - *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 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 our 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.

The Company 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 amounts. Changes in the estimated fair value of its contingent earn-out liabilities and adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in general and administrative expenses on the Condensed Consolidated Statements of Operations.

*Income Taxes*

The Company'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. The Company 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. The Company 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.

The Company accounts for income taxes in accordance with ASC Topic 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, the Company 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. The Company recognizes accrued interest and penalties related to uncertain income tax positions in income tax expense on its Condensed Consolidated Statements of Operations.

*Share-Based Compensation*

We account for share-based awards to employees and non-employees in accordance with the provisions of ASC Topic 718, *Compensation - Stock Compensation* ("ASC 718"), which requires compensation cost, measured at the grant date fair value, to be recognized 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

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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, we may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact the results of operations in the period in which the changes are made and in periods thereafter. We estimate the vesting term based upon the historical exercise behavior of our employees.

*Earnings Per Common Share ("EPS")*

On January 1, 2022, the Company adopted ASU 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* ("ASU 2020-06") using the modified retrospective method. Following this adoption, the Company applies the if-converted method for the diluted net income per share calculation of convertible debt instruments. Prior to the adoption, the Company used the treasury stock method when calculating the potential dilutive effect of convertible debt instruments.

*Recent Accounting Pronouncements*

*Recently issued applicable accounting pronouncements not yet adopted*

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This update provides for optional financial reporting alternatives to reduce cost and complexities associated with accounting for contracts, hedging relationships, and other transactions affected by reference rate reform. This update applies only to contracts, hedging relationships, and other transactions that reference London Interbank Offer Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The accommodations are available for all entities through December 31, 2022, with early adoption permitted. We are currently evaluating the effect the adoption of this update will have on our condensed consolidated financial statements and related disclosures.

*Recently adopted accounting pronouncements*

In August 2020, the FASB issued ASU 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)*. The provisions of this update simplifies the accounting for convertible instruments by removing certain separation models in ASC 470-20, *Debt - Debt with Conversion and Other Options*, for convertible instruments. The convertible debt instruments will be accounted for as a single liability at the amortized cost if separation is no longer required unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging*, or (2) a convertible debt instrument was issued at a substantial premium. Among other potential impacts, this change is expected to reduce reported noncash interest expense, increase reported net income, and result in a reclassification of certain conversion feature balance sheet amounts from stockholders' equity to liabilities. Similarly, the debt discount, that is equal to the carrying value of the embedded conversion feature upon issuance, will no longer be amortized into income as interest expense over the life of the instrument. Additionally, ASU No. 2020-06 requires the use of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards.

On January 1, 2022, the Company adopted ASU 2020-06 using the modified retrospective method. The cumulative effect of the changes made on the Condensed Consolidated Balance Sheet upon this adoption increased the carrying amount of the 1.75% Convertible Notes (as defined in Note 8 below) by approximately \$85.9 million, increased retained earnings by approximately \$23.4 million, reduced deferred tax liabilities by approximately \$21.2 million and reduced additional paid-in capital by approximately \$88.1 million.



**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

In October 2021, the FASB issued Accounting Standards Update (“ASU 2021-08”), Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This update requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606. This update is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2022, with early adoption permitted, including in interim periods. The Company early adopted ASU 2021-08 during the second quarter of 2022. An entity that early adopts in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. Therefore, the adoption of ASU 2021-08 was applied retrospectively to January 1, 2022. The adoption of ASU 2021-08 did not have a material impact on our condensed consolidated financial statements and related disclosures.

*Reclassifications*

Certain prior year reported amounts have been reclassified to conform to the 2022 presentation (see Note 2).

**2. Revenues**

*Digital Media*

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

Revenue is earned from the delivery of advertising services on websites that are owned and operated by us 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 is 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.

We also generate Digital Media subscription revenues through the license of certain assets to clients. Assets are licensed for clients’ use in their own promotional materials or otherwise and 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. In instances when technology assets are licensed to our clients, revenues from the license of 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.

We also generate 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 contract has been approved and we are committed to perform the respective obligations and (ii) we 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. We are 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

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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.

*Cybersecurity and Martech*

The Company's Cybersecurity and Martech revenues substantially consist of subscription revenues which include subscription, usage-based and licensing fees, a significant portion of which are paid in advance. The Company defers the portions of monthly, quarterly, semi-annual and annual fees collected in advance of the satisfaction of performance obligations and recognizes them in the period earned.

Along with its numerous proprietary Cybersecurity and Martech solutions, the Company also generates subscription revenues by reselling various third-party solutions, primarily through its email security line of business. These third-party solutions, along with the Company's proprietary products, allow it to offer customers a variety of solutions to better meet the customer's 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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Revenues from external customers classified by revenue source are as follows (in thousands). See Note 14 - *Segment Information* for additional information.

|                                                 | <b>Three Months Ended June 30,</b> |                   | <b>Six Months Ended June 30,</b> |                   |
|-------------------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                                                 | <b>2022</b>                        | <b>2021</b>       | <b>2022</b>                      | <b>2021</b>       |
| <b>Digital Media</b>                            |                                    |                   |                                  |                   |
| Advertising <sup>(1)</sup>                      | \$ 189,198                         | \$ 198,385        | \$ 359,265                       | \$ 375,673        |
| Subscription <sup>(1)</sup>                     | 58,901                             | 48,299            | 114,477                          | 93,924            |
| Other <sup>(1)</sup>                            | 10,601                             | 7,293             | 19,785                           | 11,253            |
| <b>Total Digital Media revenues</b>             | <b>\$ 258,700</b>                  | <b>\$ 253,977</b> | <b>\$ 493,527</b>                | <b>\$ 480,850</b> |
| <b>Cybersecurity and Martech</b>                |                                    |                   |                                  |                   |
| Subscription                                    | \$ 78,910                          | \$ 87,608         | \$ 159,404                       | \$ 172,510        |
| <b>Total Cybersecurity and Martech revenues</b> | <b>\$ 78,910</b>                   | <b>\$ 87,608</b>  | <b>\$ 159,404</b>                | <b>\$ 172,510</b> |
| Elimination of inter-segment revenues           | (254)                              | (292)             | (507)                            | (410)             |
| <b>Total Revenues</b>                           | <b>\$ 337,356</b>                  | <b>\$ 341,293</b> | <b>\$ 652,424</b>                | <b>\$ 652,950</b> |
| <b>Timing of revenue recognition</b>            |                                    |                   |                                  |                   |
| Point in time                                   | \$ 9,202                           | \$ 11,097         | \$ 18,185                        | \$ 17,062         |
| Over time                                       | 328,154                            | 330,196           | 634,239                          | 635,888           |
| <b>Total</b>                                    | <b>\$ 337,356</b>                  | <b>\$ 341,293</b> | <b>\$ 652,424</b>                | <b>\$ 652,950</b> |

(1) During the three and six months ended June 30, 2021, the Company reclassified approximately \$1.5 million and \$4.7 million of revenue from 'Subscription' to 'Advertising' and reclassified approximately \$4.4 million and \$6.5 million of revenue from 'Subscription' to 'Other' to conform with current period presentation. These reclassifications were made in order to separate games publishing revenue from traditional advertising revenue and to move job posting related revenue from subscriptions to advertising.

The Company has recorded \$49.8 million and \$46.2 million of revenue for the three months ended June 30, 2022 and 2021, respectively, and \$122.7 million and \$112.7 million of revenue for the six months ended June 30, 2022 and 2021, respectively, which was previously included in the deferred revenue balance as of the beginning of each respective year.

As of June 30, 2022 and December 31, 2021, the Company acquired \$19.3 million and \$9.5 million respectively, of deferred revenue in connection with the Company's business acquisitions, which are subject to purchase accounting adjustments, as appropriate. Refer to Note 3 - *Business Acquisitions* for details.

*Performance Obligations*

We are often a party to multiple concurrent contracts with the same customer, or a party related to that customer. These situations require judgment to determine if those arrangements should be accounted for as a single contract. Consideration of both the form and the substance of the arrangement is required. The Company's contracts with customers may include multiple performance obligations, including complex contracts when advertising and licensing services are sold together.

We determine the transaction price based on the amount to which we expect to be entitled in exchange for services provided. We include any fixed consideration within our contracts as part of the total transaction price. Our contracts occasionally contain some component of variable consideration, which is often immaterial and estimated. We do not include taxes assessed by a governmental authority that are (i) both imposed on and concurrent with a specific revenue-producing transaction and (ii) collected by us from the customer. The transaction price is allocated to each performance obligation based on its relative standalone selling price, which is determined at contract inception. In these instances, the Company determines its standalone selling prices based on the prices at which the Company separately sells each service.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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 Cybersecurity and Martech business upon delivery of services to its customers. Payment terms vary by type and location of our customers and the services offered. The time 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*

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

Our 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

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. We believe that the methods described are a faithful depiction of the transfer of goods and services.

Our Cybersecurity and Martech 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 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 (included in discontinued operations through October 7, 2021)
- Voice, email marketing and search engine optimization as services are delivered
- Consumer privacy services and data backup capabilities are provided
- Security solutions, including email and endpoint are provided

The Company has concluded 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, or as usage occurs, and believes that the method used is a faithful depiction of the transfer of goods and services.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*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.

*Transaction Price Allocation to Future Performance Obligations*

As of June 30, 2022, the aggregate amount of transaction price that is allocated to our performance obligations was approximately \$27.5 million and is expected to be recognized as follows: 34% by December 31, 2022, 65% by December 31, 2023 and the rest thereafter. The amount disclosed does not include revenues related to performance obligations that are part of a contract with original expected duration of 12 months or less or portions of the contract that remain subject to cancellations.

**3. 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 six months ended June 30, 2022, paying the purchase price in cash in each transaction: (a) a share purchase of Lifecycle Marketing Group Limited, acquired on January 21, 2022, a United Kingdom-based portfolio of pregnancy and parenting brands, including Emma's Diary and Health Professional Academy, reported within our Digital Media segment; (b) a share purchase of FitNow, Inc, acquired on June 2, 2022, a Massachusetts-based provider of weight loss products and support, reported within our Digital Media segment; and (c) two immaterial Digital Media acquisitions.

The Condensed Consolidated Statement of Operations since the date of each acquisition and the Condensed Consolidated Balance Sheets as of June 30, 2022, reflect the results of operations of all 2022 acquisitions. For the six months ended June 30, 2022, these acquisitions contributed \$7.4 million to the Company's revenues. Net income contributed by these acquisitions was not separately identifiable due to the Company's integration activities and is impracticable to provide. Total consideration for these transactions was \$107.1 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.

The following table summarizes the preliminary allocation of the purchase consideration for all acquisitions as of June 30, 2022 (in thousands):

| <b>Assets and Liabilities</b>             | <b>2022 Acquisitions</b> |
|-------------------------------------------|--------------------------|
| Accounts receivable                       | \$ 6,703                 |
| Prepaid expenses and other current assets | 897                      |
| Property and equipment                    | 370                      |
| Trade names                               | 11,902                   |
| Customer relationship                     | 22,170                   |
| Goodwill                                  | 81,725                   |
| Other intangibles                         | 16,830                   |
| Other long-term assets                    | 11                       |
| Accounts payable and accrued expenses     | (3,383)                  |
| Deferred revenue                          | (19,274)                 |
| Deferred tax liability                    | (10,485)                 |
| Other long-term liabilities               | (326)                    |
| Total                                     | <u>\$ 107,140</u>        |

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The initial accounting for all of the 2022 acquisitions is incomplete due to timing of available information and is subject to change. The Company 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.

The fair value of the assets acquired includes accounts receivable of \$6.7 million, of which none is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

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, 2022 was \$81.7 million, of which \$1.2 million is expected to be deductible for income tax purposes.

During the six months ended June 30, 2022, the purchase price accounting has been finalized for the following 2021 acquisitions: DailyOM and SEOmoz. During the six months ended June 30, 2022, the Company also recorded adjustments to the initial working capital and to the purchase accounting of certain other prior period acquisitions due to the finalization of prior period acquisitions in the Digital Media business, which resulted in a net increase in goodwill of \$1.8 million. In addition, the Company recorded adjustments to the initial working capital and to the purchase accounting of certain prior period acquisitions due to the finalization of prior period acquisitions in the Cybersecurity and Martech businesses which resulted in a net decrease in goodwill of \$0.1 million. Such adjustments had an immaterial impact on the amortization expense within the Condensed Consolidated Statement of Operations for the six months ended June 30, 2022. Refer to Note 7 - *Goodwill and Intangible Assets* for additional information.

***Unaudited Pro Forma Financial Information for All 2022 Acquisitions***

The following unaudited pro forma information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had the Company and the acquired businesses been combined companies during the periods presented. These pro forma results are estimates and exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2021. 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 the Company and its 2022 acquisitions as if each acquisition had occurred on January 1, 2021 (in thousands, except per share amounts):

|                                                                     | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|---------------------------------------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
|                                                                     | <b>2022</b>                        | <b>2021</b> | <b>2022</b>                      | <b>2021</b> |
|                                                                     | (unaudited)                        | (unaudited) | (unaudited)                      | (unaudited) |
| Revenues                                                            | \$ 343,275                         | \$ 353,283  | \$ 668,309                       | \$ 676,929  |
| Net (loss) income from continuing operations                        | \$ (46,300)                        | \$ (22,941) | \$ (21,543)                      | \$ 15,778   |
| (Loss) income per common share from continuing operations - Basic   | \$ (0.99)                          | \$ (0.51)   | \$ (0.46)                        | \$ 0.35     |
| (Loss) income per common share from continuing operations - Diluted | \$ (0.99)                          | \$ (0.51)   | \$ (0.46)                        | \$ 0.33     |

***2021***

The Company completed the following acquisitions during the six months ended June 30, 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 solutions; and (c) one 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 from continuing operations contributed by these acquisitions was not separately identifiable due to the Company's integration activities and is impracticable to provide. Total

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

consideration for these transactions was \$91.0 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.

The following table summarizes the allocation of the purchase consideration for all acquisitions as of June 30, 2021, including individually material acquisitions noted separately (in thousands):

| <b>Assets and Liabilities</b>                   | <b>Valuation</b> |
|-------------------------------------------------|------------------|
| Accounts receivable                             | \$ 3,278         |
| Prepaid expenses and other current assets       | 2,512            |
| Property and equipment                          | 1,838            |
| Operating lease right-of-use assets, noncurrent | 5,888            |
| Trade names                                     | 10,007           |
| Customer relationship                           | 5,000            |
| Goodwill                                        | 55,439           |
| Other intangibles                               | 29,237           |
| Other long-term assets                          | 62               |
| Deferred tax asset                              | 231              |
| Accounts payable and accrued expenses           | (2,656)          |
| Deferred revenue                                | (7,048)          |
| Operating lease liabilities, current            | (7,191)          |
| Other current liabilities                       | (14)             |
| Deferred tax liability                          | (4,122)          |
| Other long-term liabilities                     | (1,491)          |
| <b>Total</b>                                    | <b>\$ 90,970</b> |

***Unaudited Pro Forma Financial Information for All 2021 Acquisitions***

The following unaudited pro forma 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 the Company and the acquired businesses been combined companies during the periods presented. These pro forma results are estimates and 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 the Company and its acquisitions during the three months and six months ended as June 30, 2021 as if each acquisition had occurred on January 1, 2020 (in thousands, except per share amounts):

|                                                                     | <b>Three Months Ended June<br/>30, 2021</b> | <b>Six Months Ended June 30,<br/>2021</b> |
|---------------------------------------------------------------------|---------------------------------------------|-------------------------------------------|
|                                                                     | (unaudited)                                 | (unaudited)                               |
| Revenues                                                            | \$ 351,172                                  | \$ 680,194                                |
| Net (loss) income from continuing operations                        | \$ (22,156)                                 | \$ 19,456                                 |
| (Loss) income per common share from continuing operations - Basic   | \$ (0.50)                                   | \$ 0.44                                   |
| (Loss) income per common share from continuing operations - Diluted | \$ (0.50)                                   | \$ 0.41                                   |

**SEOMoz**

On June 4, 2021, the Company acquired all the outstanding issued capital of SEOMoz at a purchase consideration of \$67.0 million, net of cash acquired and assumed liabilities. SEOMoz is a provider of search engine optimization ("SEO") solutions. The Consolidated Statement of Operations since the date of acquisition and balance sheet as of December 31, 2021, reflect the results of operations of SEOMoz. For both of the three and six months ended June 30, 2021, SEOMoz contributed

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

\$3.3 million to the Company's revenues. Net income from continuing operations contributed by SEOmoz since the acquisition date was not separately identifiable due to the Company's integration activities and is impracticable to provide.

The following table summarizes the allocation of the purchase consideration for the SEOmoz acquisition (in thousands):

| <b>Assets and Liabilities</b>             | <b>Valuation</b> |
|-------------------------------------------|------------------|
| Accounts receivable                       | \$ 3,278         |
| Prepaid expenses and other current assets | 2,512            |
| Property and equipment                    | 1,838            |
| Operating lease right of use asset        | 5,888            |
| Trade names                               | 7,200            |
| Customer relationships                    | 5,000            |
| Goodwill                                  | 41,192           |
| Other intangibles                         | 21,607           |
| Other long-term assets                    | 62               |
| Intercompany                              | 235              |
| Accounts payables and accrued expenses    | (2,656)          |
| Other current liabilities                 | (14)             |
| Deferred revenue                          | (7,048)          |
| Operating lease liabilities, current      | (7,191)          |
| Deferred tax liability                    | (4,122)          |
| Other long-term liabilities               | (785)            |
| <b>Total</b>                              | <b>\$ 66,996</b> |

The fair value of the assets acquired includes accounts receivable of \$3.3 million. The gross amount due under contracts is \$3.6 million, of which \$0.3 million is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

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 in connection with this acquisition during the year ended December 31, 2021 is \$41.2 million of which zero is expected to be deductible for income tax purposes.

***Unaudited Pro Forma Financial Information for SEOmoz Acquisition***

The following unaudited pro forma information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had the Company and the acquired business been combined companies during the periods presented. These pro forma results are estimates and exclude any savings or synergies that would have resulted from this business acquisition had it occurred on January 1, 2020. This unaudited pro forma supplemental information includes incremental intangible asset amortization and other charges as a result of the SEOmoz acquisition, net of the related tax effects.

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



**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

|                                                                     | <b>Three Months Ended June 30,<br/>2021</b> | <b>Six Months Ended June 30,<br/>2021</b> |
|---------------------------------------------------------------------|---------------------------------------------|-------------------------------------------|
|                                                                     | (unaudited)                                 | (unaudited)                               |
| Revenues                                                            | \$ 349,473                                  | \$ 673,401                                |
| Net (loss) income from continuing operations                        | \$ (22,247)                                 | \$ 18,767                                 |
| (Loss) income per common share from continuing operations - Basic   | \$ (0.50)                                   | \$ 0.42                                   |
| (Loss) income per common share from continuing operations - Diluted | \$ (0.50)                                   | \$ 0.40                                   |

**4. Investments**

Investments consist of equity and debt securities. There were no investments in an unrealized loss position as of June 30, 2022 and December 31, 2021.

*Investment in equity securities*

The following table summarizes the cumulative gross unrealized gains and losses and fair values for short-term investments accounted for at fair value under the fair value option, with the unrealized gains and losses reported within earnings on the Condensed Consolidated Statements of Operations (in thousands):

|                                             | <b>Initial Book Value</b> | <b>Cumulative Gross<br/>Unrealized<br/>Gains</b> | <b>Cumulative Gross<br/>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
|---------------------------------------------|---------------------------|--------------------------------------------------|---------------------------------------------------|-----------------------|
| <b>June 30, 2022</b>                        |                           |                                                  |                                                   |                       |
| Investment in Consensus (equity securities) | \$ (29,052)               | \$ 101,587                                       | \$ —                                              | \$ 72,535             |
| Total                                       | <u>\$ (29,052)</u>        | <u>\$ 101,587</u>                                | <u>\$ —</u>                                       | <u>\$ 72,535</u>      |
| <b>December 31, 2021</b>                    |                           |                                                  |                                                   |                       |
| Investment in Consensus (equity securities) | \$ (69,290)               | \$ 298,490                                       | \$ —                                              | \$ 229,200            |
| Total                                       | <u>\$ (69,290)</u>        | <u>\$ 298,490</u>                                | <u>\$ —</u>                                       | <u>\$ 229,200</u>     |

During the three months ended June 30, 2022, the Company completed the non-cash Debt-For-Equity Exchange of 2,300,000 shares of its Investment in Consensus with a fair value as of March 31, 2022 of \$138.3 million for the extinguishment of \$90.0 million of the Company's Term Loan Facility and related interest. During the three months ended June 30, 2022, the Company incurred the loss of \$48.2 million, including underwriting costs, in connection with disposal of the Disposed Consensus Shares and, which is presented within 'Loss on investment, net' on our Condensed Consolidated Statements of Operations. As of June 30, 2022, the Company holds 1.7 million shares of the common stock of Consensus. During the three and six months ended June 30, 2022, the Company recognized an unrealized loss on the Retained Consensus Shares of \$27.3 million and \$18.4 million, respectively.

During the second quarter of 2021, the Company recorded a \$16.7 million impairment loss on certain equity securities related to a decline in value due to a pending sales transaction of an investee. The Company was not expected to recover the recorded cost of these securities and thus reduced such amount to what the Company expected to receive as a result of the sale. The Company subsequently sold these equity securities during fiscal year 2021.

*Investment in corporate debt securities*

On April 12, 2022, the Company entered into an agreement to acquire 4% convertible notes with an aggregate value of \$15.0 million, which upon conversion would represent an equity interest equal to at least 3%, on a fully converted basis.

This investment is included in 'Long-term investments, net' in our Condensed Consolidated Balance Sheets and is classified as available-for-sale and initially measured at its transaction price and subsequently remeasured at fair value, with unrealized gains and losses reported as a component of other comprehensive income.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The table below summarizes the carrying value and the maximum exposure of Company's investment in corporate debt securities as of June 30, 2022 (in thousands):

|                                         | <b>June 30, 2022</b>  |                         |
|-----------------------------------------|-----------------------|-------------------------|
|                                         | <b>Carrying value</b> | <b>Maximum exposure</b> |
| Investment in corporate debt securities | \$ 15,000             | \$ 15,000               |

The Company's maximum exposure to loss is limited to its proportional ownership in the investee. In addition, the Company is not required to contribute capital in an aggregate amount in excess of its capital commitment.

The following table summarizes the gross unrealized gains and losses and fair values for investments classified as available-for-sale, with the unrealized gains and losses reported as a component of other comprehensive income (in thousands):

|                                         | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
|-----------------------------------------|---------------------------|---------------------------------------|----------------------------------------|-----------------------|
| <b>June 30, 2022</b>                    |                           |                                       |                                        |                       |
| Investment in corporate debt securities | \$ 15,000                 | \$ —                                  | \$ —                                   | \$ 15,000             |
| Total                                   | <u>\$ 15,000</u>          | <u>\$ —</u>                           | <u>\$ —</u>                            | <u>\$ 15,000</u>      |

The Company determined that these debt securities were 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.

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

|                                                     | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|-----------------------------------------------------|----------------------|--------------------------|
| Due within 1 year                                   | \$ —                 | \$ —                     |
| Due within more than 1 year but less than 5 years   | 15,000               | —                        |
| Due within more than 5 years but less than 10 years | —                    | —                        |
| Due 10 years or after                               | —                    | —                        |
| Total                                               | <u>\$ 15,000</u>     | <u>\$ —</u>              |

*Equity method investment*

On September 25, 2017, the Company entered into a commitment to invest \$200 million (approximately 76.6% of equity) in an investment fund (the "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 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 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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The manager, OCV Management, LLC, and general partner of the Fund are entities with respect to which Richard S. Ressler, former Chairman of the Board of Directors (the “Board”) of the Company, is indirectly the majority equity holder. Mr. Ressler’s tenure with the Board ended as of May 10, 2022. As a limited partner in the Fund, prior to the settlement of certain litigation generally related to the Company’s investment in the Fund in January 2022, the Company paid an annual management fee to the manager equal to 2.0% 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. At the time of the settlement of the litigation (see Note 9 – *Commitments and Contingencies*), the Company had invested approximately \$128.8 million in the Fund. In connection with the settlement of the litigation, among other terms, no further capital calls will be made in connection with the Company’s investment in the Fund, nor will any management fees be paid by the Company to the manager. As such, during the six months ended June 30, 2022, the Company received no capital call notices from the manager of the Fund. During the six months ended June 30, 2021, the Company received capital call notices from the manager of the Fund for \$11.1 million, inclusive of certain management fees. Approximately \$10.1 million was paid for capital call notices during the six months ended June 30, 2021. During both the six months ended June 30, 2022 and 2021, the Company received no distributions from OCV.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag (including management fees) 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, 2022 and 2021, the Company recognized an investment loss of \$6.1 million and \$5.8 million, net of tax benefit, respectively. During the six months ended June 30, 2022 and 2021, the Company recognized an investment (loss) gain of \$(6.9) million and \$18.5 million, net of tax benefit (expense), respectively. The gain in fiscal 2021 was primarily the result of gains in the underlying investments. During the three months ended June 30, 2022 and 2021, the Company recognized expense for management fees of \$0.8 million and \$0.8 million, net of tax benefit, respectively, and for the six months ended June 30, 2022 and 2021, the Company recognized expense for 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). These equity securities are included within ‘Long-term investments’ in the Condensed Consolidated Balance Sheets.

|                          | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|--------------------------|----------------------|--------------------------|
| Equity securities        | \$ 113,460           | \$ 122,593               |
| Maximum exposure to loss | \$ 113,460           | \$ 122,593               |

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.

## **5. Discontinued Operations**

### ***Consensus Spin-Off***

As further described in Note 1 - *Basis of Presentation and Overview*, on October 7, 2021, the Separation of the cloud fax business was completed. The accounting requirements for reporting the Company’s cloud fax business as a discontinued operation were met when the Separation was completed as the Separation constituted a strategic shift that would have a major effect on the Company’s operations and financial results. Accordingly, the Condensed Consolidated Financial Statements reflect the results of the cloud fax business as a discontinued operation for the three and six months ended June 30, 2021. The Condensed Consolidated Statements of Operations report discontinued operations separate from continuing operations. The Condensed Consolidated Statements of Comprehensive (Loss) Income, Condensed Consolidated Statements of Cash Flows, and Condensed Consolidated Statements of Stockholders’ Equity combine continuing and discontinued operations.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The key components of cash flows from discontinued operations were as follows (in thousands):

|                               | <b>Six Months Ended June 30,<br/>2021</b> |
|-------------------------------|-------------------------------------------|
| Capital expenditures          | \$ 8,010                                  |
| Depreciation and amortization | \$ 5,601                                  |
| Deferred taxes                | \$ (6,508)                                |

In connection with the Separation, Ziff Davis and Consensus entered into several agreements that govern the relationship of the parties following the Separation, which are further discussed in Note 16 - *Related Party Transactions*. Further, certain of the Company's management and members of its board of directors resigned from the Company as of the date of distribution and joined Consensus. In addition, one of the Company's members of senior management as of June 30, 2022 has served on the board of directors of Consensus since the date of distribution.

The key components of income from discontinued operations were as follows (in thousands):

|                                                          | <b>Three Months Ended June 30,<br/>2021</b> | <b>Six Months Ended June 30,<br/>2021</b> |
|----------------------------------------------------------|---------------------------------------------|-------------------------------------------|
| Revenues                                                 | \$ 87,751                                   | \$ 174,279                                |
| Cost of revenues                                         | (14,554)                                    | (28,524)                                  |
| Sales and marketing                                      | (13,681)                                    | (26,916)                                  |
| Research, development and engineering                    | (1,940)                                     | (3,616)                                   |
| General and administrative                               | (5,977)                                     | (12,025)                                  |
| Interest expense and other                               | (351)                                       | (199)                                     |
| Income before income taxes                               | 51,248                                      | 102,999                                   |
| Income tax expense                                       | 12,486                                      | 25,094                                    |
| Income from discontinued operations, net of income taxes | <u>\$ 38,762</u>                            | <u>77,905</u>                             |

## 6. Fair Value Measurements

The Company 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 was approximately \$1.0 billion and \$1.3 billion, as of June 30, 2022 and December 31, 2021, respectively (see Note 8 - *Debt*).

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The Retained Consensus Shares are equity securities for which the Company elected the fair value option, and the fair value of the Retained Consensus Shares and subsequent fair value changes are included in our assets of and results from continuing operations, respectively. As of June 30, 2022 and December 31, 2021, the Company's investment in Consensus common stock was remeasured at fair value based on Consensus' closing stock price with a balance of \$72.5 million and \$229.2 million included on the Condensed Consolidated Balance Sheets, respectively. Unrealized loss of \$27.3 million and \$18.4 million were recorded on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2022, respectively. The fair value of the investment in Consensus is determined using quoted market prices, which is a Level 1 input.

The fair value of our 4.625% Senior Notes (as defined in Note 8 - *Debt*) was determined using quoted market prices or dealer quotes for instruments with similar maturities and other terms and credit ratings, which are Level 1 inputs. The fair value of the Credit Facility (as defined in Note 8 - *Debt*) approximated its carrying amount due to its variable interest rate, which approximated a market interest rate, and was considered a Level 2 input.

The investment in corporate debt securities is measured at fair value on our Condensed Consolidated Balance Sheets. Unrealized gains and losses are reported in other comprehensive income until realized. Corporate debt securities do not have a readily determinable fair value because acquired securities are privately held, not traded on any public exchanges and not an investment in a mutual fund or similar investment. The investment in corporate debt securities is classified as available-for-sale and is initially measured at its transaction price. The fair value of the corporate debt securities is determined primarily based in significant estimates and assumptions, including Level 3 inputs. As of June 30, 2022, the fair value of our investment in corporate debt securities approximates its carrying value due to close proximity of the date of the investment to the reporting date. Refer to Note 4 - *Investments* for additional information.

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. The valuation approaches used to value Level 3 investments considers 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, 2022.

|                          | Valuation Technique | Unobservable Input   | Range        | Weighted Average |
|--------------------------|---------------------|----------------------|--------------|------------------|
| Contingent Consideration | Option-Based Model  | Risk free rate       | N/A          | 1.9 %            |
|                          |                     | Debt spread          | 1.3% - 16.4% | 9.4 %            |
|                          |                     | Present value factor | N/A          | 26.9 %           |
|                          |                     | Discount rate        | N/A          | 27.3 %           |

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The following tables present the fair values of the Company's financial assets or liabilities (in thousands):

| <b>June 30, 2022</b>                     | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b>   | <b>Fair Value</b>   | <b>Carrying Value</b> |
|------------------------------------------|---------------------|----------------|------------------|---------------------|-----------------------|
| <b>Assets:</b>                           |                     |                |                  |                     |                       |
| <b>Cash equivalents:</b>                 |                     |                |                  |                     |                       |
| Money market and other funds             | \$ 98,920           | \$ —           | \$ —             | \$ 98,920           | \$ 98,920             |
| Investment in corporate debt securities  | —                   | —              | 15,000           | 15,000              | 15,000                |
| Investment in Consensus                  | 72,535              | —              | —                | 72,535              | 72,535                |
| Total assets measured at fair value      | <u>\$ 171,455</u>   | <u>\$ —</u>    | <u>\$ 15,000</u> | <u>\$ 186,455</u>   | <u>\$ 186,455</u>     |
| <b>Liabilities:</b>                      |                     |                |                  |                     |                       |
| Contingent consideration                 | \$ —                | \$ —           | \$ 3,047         | \$ 3,047            | \$ 3,047              |
| Debt                                     | 1,015,010           | —              | —                | 1,015,010           | 1,102,201             |
| Total liabilities measured at fair value | <u>\$ 1,015,010</u> | <u>\$ —</u>    | <u>\$ 3,047</u>  | <u>\$ 1,018,057</u> | <u>\$ 1,105,248</u>   |

| <b>December 31, 2021</b>                 | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b>  | <b>Fair Value</b>   | <b>Carrying Value</b> |
|------------------------------------------|---------------------|----------------|-----------------|---------------------|-----------------------|
| <b>Assets:</b>                           |                     |                |                 |                     |                       |
| <b>Cash equivalents:</b>                 |                     |                |                 |                     |                       |
| Money market and other funds             | \$ 144,255          | \$ —           | \$ —            | \$ 144,255          | \$ 144,255            |
| Investment in Consensus                  | 229,200             | —              | —               | 229,200             | 229,200               |
| Total assets measured at fair value      | <u>\$ 373,455</u>   | <u>\$ —</u>    | <u>\$ —</u>     | <u>\$ 373,455</u>   | <u>\$ 373,455</u>     |
| <b>Liabilities:</b>                      |                     |                |                 |                     |                       |
| Contingent consideration                 | \$ —                | \$ —           | \$ 5,775        | \$ 5,775            | \$ 5,775              |
| Debt                                     | 1,345,311           | —              | —               | 1,345,311           | 1,090,627             |
| Total liabilities measured at fair value | <u>\$ 1,345,311</u> | <u>\$ —</u>    | <u>\$ 5,775</u> | <u>\$ 1,351,086</u> | <u>\$ 1,096,402</u>   |

At the end of each reporting period, management reviews the inputs to the fair value measurements of financial and non-financial assets and liabilities to determine when transfers between levels are deemed to have occurred. For the six months ended June 30, 2022 and 2021, there were no transfers that occurred between levels.

The following table presents a reconciliation of the Company's Level 3 financial assets related to our investment in corporate debt securities that are measured at fair value on a recurring basis (in thousands):

|                                         | <b>Level 3</b>   | <b>Affected line item in the Statement of Operations</b> |
|-----------------------------------------|------------------|----------------------------------------------------------|
| Balance as of January 1, 2022           | \$ —             |                                                          |
| Investment in corporate debt securities | 15,000           | Not applicable                                           |
| Balance as of June 30, 2022             | <u>\$ 15,000</u> |                                                          |

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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):

|                                                   | <b>Level 3</b>  | <b>Affected line item in the Statement of Operations</b> |
|---------------------------------------------------|-----------------|----------------------------------------------------------|
| Balance as of January 1, 2022                     | \$ 5,775        |                                                          |
| Contingent consideration                          | 200             |                                                          |
| Total fair value adjustments reported in earnings | (9)             | General and administrative                               |
| Contingent consideration payments                 | (2,919)         | Not applicable                                           |
| Balance as of June 30, 2022                       | <u>\$ 3,047</u> |                                                          |

In connection with the Company's other acquisition activity, contingent consideration of up to \$3.0 million may be payable upon achieving certain future earnings before interest, taxes, depreciation and amortization (EBITDA), revenue, and/or unique visitor thresholds and had a combined fair value of \$3.0 million and \$5.8 million at June 30, 2022 and December 31, 2021, respectively. Due to the achievement of certain thresholds, \$2.9 million and \$5.8 million was paid during the six months ended June 30, 2022 and 2021, respectively.

**7. 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 twenty years.

The changes in carrying amounts of goodwill for the six months ended June 30, 2022 are as follows (in thousands):

|                                                | <b>Digital Media</b> | <b>Cybersecurity and Martech</b> | <b>Consolidated</b> |
|------------------------------------------------|----------------------|----------------------------------|---------------------|
| Balance as of January 1, 2022                  | \$ 996,659           | \$ 534,796                       | \$ 1,531,455        |
| Goodwill acquired (Note 3)                     | 81,725               | —                                | 81,725              |
| Purchase accounting adjustments <sup>(1)</sup> | 1,773                | (137)                            | 1,636               |
| Foreign exchange translation                   | (2,584)              | (8,892)                          | (11,476)            |
| Balance as of June 30, 2022                    | <u>\$ 1,077,573</u>  | <u>\$ 525,767</u>                | <u>\$ 1,603,340</u> |

(1) Purchase accounting adjustments relate to measurement period adjustments to goodwill in connection with prior business acquisitions. Refer to Note 3 - *Business Acquisitions*.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Intangible Assets Subject to Amortization:

As of June 30, 2022, intangible assets subject to amortization relate primarily to the following (in thousands):

|                                       | <b>Weighted-Average<br/>Amortization<br/>Period</b> | <b>Historical<br/>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Net</b>        |
|---------------------------------------|-----------------------------------------------------|----------------------------|-------------------------------------|-------------------|
| Trade names                           | 10.0 years                                          | \$ 260,802                 | \$ 113,181                          | \$ 147,621        |
| Customer relationships <sup>(1)</sup> | 8.0 years                                           | 690,343                    | 441,821                             | 248,522           |
| Other purchased intangibles           | 8.8 years                                           | 480,781                    | 340,184                             | 140,597           |
| Total                                 |                                                     | <u>\$ 1,431,926</u>        | <u>\$ 895,186</u>                   | <u>\$ 536,740</u> |

(1) The Company amortizes 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, 2021, intangible assets subject to amortization relate primarily to the following (in thousands):

|                                       | <b>Weighted-Average<br/>Amortization<br/>Period</b> | <b>Historical<br/>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Net</b>        |
|---------------------------------------|-----------------------------------------------------|----------------------------|-------------------------------------|-------------------|
| Trade names                           | 9.7 years                                           | \$ 250,418                 | \$ 102,657                          | \$ 147,761        |
| Customer relationships <sup>(1)</sup> | 8.1 years                                           | 673,847                    | 398,396                             | 275,451           |
| Other purchased intangibles           | 9.3 years                                           | 467,028                    | 317,515                             | 149,513           |
| Total                                 |                                                     | <u>\$ 1,391,293</u>        | <u>\$ 818,568</u>                   | <u>\$ 572,725</u> |

(1) The Company amortizes 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 5.0 years, despite the overall life of the asset.

Amortization expense, included in General and administrative expense on our Condensed Consolidated Statements of Operations, approximated \$41.8 million and \$46.7 million for the three months ended June 30, 2022 and 2021, respectively, and \$83.0 million and \$94.0 million for the six months ended June 30, 2022 and 2021, respectively.

**8. Debt**

The Company's debt as of June 30, 2022 and December 31, 2021 consists of the following (in thousands):

|                                            | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|--------------------------------------------|----------------------|--------------------------|
| 4.625% Senior Notes                        | \$ 565,173           | \$ 641,276               |
| 1.75% Convertible Notes                    | 550,000              | 550,000                  |
| Total Notes                                | 1,115,173            | 1,191,276                |
| Less: Unamortized discount                 | (3,581)              | (91,593)                 |
| Deferred issuance costs                    | (9,391)              | (9,056)                  |
| Total debt                                 | 1,102,201            | 1,090,627                |
| Less: current portion                      | (68,506)             | (54,609)                 |
| Total long-term debt, less current portion | <u>\$ 1,033,695</u>  | <u>\$ 1,036,018</u>      |



**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*4.625% Senior Notes*

On October 7, 2020, the Company completed the issuance and sale of \$750.0 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 net proceeds were used to redeem all of its outstanding 6.0% Senior Notes due in 2025 and, the remaining net proceeds were available for general corporate purposes which may include acquisitions and the repurchase or redemption of other outstanding indebtedness.

These 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 the Company 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, up 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, up 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 the Company 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 for the 4.625% Senior Notes as of June 30, 2022.

During the three and six months ended June 30, 2022, the Company repurchased approximately \$21.5 million and \$76.1 million, respectively, in aggregate principal amount of the 4.625% Senior Notes for an aggregate purchase price of approximately \$18.2 million and \$73.6 million, respectively. For the three and six months ended June 30, 2022, the Company recognized a gain of approximately \$3.1 million and gain of approximately \$1.9 million, respectively, associated with the repurchase of the 4.625% Senior Notes, which is recorded within ‘Interest expense, net’ on our Condensed Consolidated Statements of Operations.

As of June 30, 2022 and December 31, 2021, the estimated fair value of the 4.625% Senior Notes was approximately \$482.5 million and \$659.9 million, and was based on recent quoted market prices for the 4.625% Senior Notes which are Level 1 inputs. Refer to Note 6 - *Fair Value Measurements*.

*1.75% Convertible Notes*

On November 15, 2019, the Company issued \$550.0 million aggregate principal amount of 1.75% convertible senior notes due November 1, 2026 (the “1.75% Convertible Notes”). The Company 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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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 the Company's 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 the Company's 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. The Company will settle conversions of the 1.75% Convertible Notes by paying or delivering, as the case may be, cash, shares of the Company common stock or a combination thereof at the Company'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. As of June 30, 2022 and December 31, 2021, the market trigger conditions did not meet the conversion requirements of the 1.75% Convertible Notes and, accordingly, the 1.75% Convertible Notes are classified as long-term debt on our Condensed Consolidated Balance Sheets.

As of June 30, 2022, the conversion rate is 9.3783 shares of the Company's common stock for each \$1,000 principal amount of 1.75% Convertible Notes, which represents a conversion price of approximately \$106.63 per share of the Company's 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), the Company 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.

The Company 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; (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.

*Accounting for the 1.75% Convertible Notes*

On January 1, 2022 the Company adopted ASU 2020-06 using the modified retrospective method. As a result of this adoption, the Company de-recognized the remaining unamortized debt discount of \$87.3 million on the 1.75% Convertible Notes and therefore no longer recognizes any amortization of debt discounts as interest expense. Refer to Note 1 - *Basis of Presentation and Overview*.

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 were 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. Upon adoption of ASU 2020-06, the Company reclassified the \$2.8 million from additional paid-in-capital to the long-term liability and recorded a cumulative adjustment to retained earnings for amortization from the issuance date through January 1, 2022 and will record amortization expense for these debt issuance costs through the maturity date. As of June 30, 2022, the total unamortized deferred issuance costs were \$8.3 million.

The 1.75% Convertible Notes are carried at face value less any unamortized debt discount (prior to adoption of ASU 2020-06) 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 6 - *Fair*

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

*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, 2022 and December 31, 2021, the estimated fair value of the 1.75% Convertible Notes was approximately \$532.5 million and \$685.4 million, respectively.

*Credit Facility*

On April 7, 2021, the Company entered into a \$100.0 million Credit Agreement (the “Credit Agreement”). Subject to customary conditions, the Company may, from time to time, request increases in the commitments under the Credit Agreement in an aggregate amount up to \$250.0 million, for a total aggregate commitment of up to \$350.0 million. The final maturity of the Credit Facility will occur on April 7, 2026.

At the Company’s option, amounts borrowed under the Credit Agreement will bear interest at either (i) a base rate equal to the greater of (x) the Federal Funds Effective Rate (as defined in the Credit Agreement) in effect on such day plus 0.5% per annum, (y) the rate of interest per annum most recently announced by the Agent (as defined in the Credit Agreement) 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 the Company. The Company is permitted to make voluntary prepayments of the Credit Facility at any time without payment of a premium or penalty. As of June 30, 2022 and December 31, 2021, there were no amounts outstanding under the Credit Agreement.

*Debt-for-Equity Exchange*

On June 10, 2022 (the “Term Loan Funding Date”), the Company entered into a Fifth Amendment to its Credit Agreement with MUFG Union Bank, N.A., as administrative agent and collateral agent and the lenders party thereto to effectuate the Debt-for-Equity Exchange. The Fifth Amendment to the Credit Agreement provided for the Term Loan Facility in an aggregate principal amount of \$90.0 million and certain other changes to the Credit Agreement. The Term Loan had a maturity date that was 60 days after the Term Loan Funding Date. The Term Loan Facility bore interest at a base rate equal to the greater of (x) the Federal Funds Effective Rate, as defined in the Credit Agreement, in effect on such day plus 0.5% per annum, (y) the rate of interest per annum most recently announced by the Agent, as defined in the Credit Agreement, as its U.S. Dollar “Reference Rate” and (z) one month LIBOR plus 1%, provided that the base rate for any term loan made under the Credit Agreement shall be greater of clause (x) and (y) above in each case.

During the three months ended June 30, 2022, the Company borrowed approximately \$90.0 million under the Term Loan Facility and completed the Debt-for-Equity Exchange of 2,300,000 shares of its common stock of Consensus to settle its obligation to repay the \$90.0 million outstanding aggregate principal amount of the Term Loan Facility plus an immaterial amount of interest. The Company recorded a loss on extinguishment of debt related to the Debt-for-Equity Exchange of approximately \$0.5 million during the three months ended June 30, 2022 which is presented within ‘Interest expense, net’ on our Condensed Consolidated Statements of Operations.

**9. Commitments and Contingencies**

*Litigation*

From time to time, the Company 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 the Company 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 July 8, 2020, Jeffrey Garcia filed a putative class action lawsuit against the Company in the Central District of California (20-cv-06906), alleging violations of federal securities laws. The Company has moved to dismiss the consolidated class action complaint. The court granted the motion to dismiss and the plaintiff has filed an amended complaint. The Company has moved to dismiss the amended complaint. On August 8, 2022, the court granted the Company’s motion to dismiss the amended complaint without leave to amend.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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 the Company 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 January 20, 2022 the Court approved the settlement. Among other terms of the settlement, no further capital calls will be made in connection with the Company’s investment in OCV Fund I, L.P.

On December 11, 2020, Danning Huang filed a lawsuit in the District of Delaware (20-cv-01687-LPS) asserting derivative claims against directors of the Company 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, the Company and its directors and officers intend to defend against the remaining claims.

The Company 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 the Company’s consolidated financial position, results of operations, or cash flows in a particular period.

The Company has not accrued for any material loss contingencies relating to these legal proceedings because materially unfavorable outcomes are not 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 \$24.3 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.

**10. 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 (33.2)% and 37.4% for the three months ended June 30, 2022 and 2021, respectively and 12,760.8% and 86.1% for the six months ended June 30, 2022 and 2021, respectively. The Company’s effective tax rate for the three and six months ended June 30, 2022 have been disproportionately impacted due to the size of the discrete book loss related to the Disposed Consensus Shares and Retained Consensus Shares. The net loss recorded for book purposes for the Investment in Consensus, excluding transaction costs resulted in no tax benefit. The loss is not subject to tax since the Company has the ability to dispose of the investment in a tax-free manner based on guidance and requirements set out by the Internal Revenue Service. In addition, during the three months and six months ended June 30, 2021 the Company recognized a tax benefit for the release of a valuation allowance on deferred tax assets related to the impairment of certain investments and the goodwill impairment with no similar events for the period ending June 30, 2022.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Income (loss) from continuing operations before income taxes included a loss from domestic operations of approximately \$30.6 million and \$52.1 million for the six months ended June 30, 2022 and 2021, respectively, and income from foreign operations of \$30.7 million and \$32.1 million for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and December 31, 2021, the Company had \$43.6 million and \$42.5 million, respectively, in liabilities for uncertain income tax positions from continuing operations. Accrued interest and penalties related to unrecognized tax benefits are recognized in income tax expense on the Company's Condensed Consolidated Statement of Operations.

Cash paid for income taxes net of refunds received for continuing operations was \$15.4 million and \$36.0 million for the six months ended June 30, 2022 and 2021, 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 \$0.8 million at June 30, 2022 and December 31, 2021, 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 with the United States Tax Court on May 24, 2021. As of June 30, 2022, the audits are ongoing.

The Company is under audit by the California Franchise Tax Board ("FTB") for its tax years 2012, 2013, 2015, and 2016. The FTB, however, has agreed to suspend its audit pending the outcome of the IRS audit for such tax years. As of June 30, 2022, 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, 2022, the audits are ongoing.

The Company conducts business on a global basis and as a result, one or more of its subsidiaries files income tax returns in the U.S. federal and in multiple state, local, and foreign tax jurisdictions. The Company's U.S. federal income tax returns for years 2012 through 2016 are under various stages of audit by the IRS, as noted above. The Company is also under audit for various U.S. state and local tax purposes as noted above for its significant jurisdictions. With limited exception, the Company's significant foreign tax jurisdictions are no longer subject to an income tax audit by the various tax authorities for tax years prior to 2014.

It is reasonably possible that these audits may conclude in the next twelve 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.

**11. Stockholders' Equity**

*Common Stock Repurchase Program*

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"). The Company entered into certain Rule 10b5-1 trading plans during the years ended December 31, 2021 and 2020 to execute repurchases under the 2020 Program. During the three months ended June 30, 2022, the Company repurchased 182,247 shares at an aggregate cost of approximately \$12.7 million (including an immaterial amount of commission fees) under the 2020 Program. During the six months ended June 30, 2022, the Company repurchased 736,536 shares at an aggregate cost of approximately \$71.3 million (including an immaterial amount of commission fees) under the 2020 Program. These shares were subsequently retired. Cumulatively as of June 30, 2022, 3,672,846 shares were repurchased at an aggregate cost of \$296.9 million (including an immaterial amount of commission fees) under the 2020 Program. These shares were subsequently retired. As a result of the repurchases, the number of shares available for purchase as of June 30, 2022 is 6,327,154 shares of the Company's common stock.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Periodically, participants in the Company's stock plans surrender to the Company shares of 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 months ended June 30, 2022 and 2021, the Company purchased and retired 9,864 and 87,155 shares, respectively, from plan participants for this purpose. During the six months ended June 30, 2022 and 2021, the Company purchased and retired 50,236 and 195,442 shares, respectively, from plan participants for this purpose.

## **12. Stock Based Compensation**

The Company'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 the Company's 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 the Company's common stock on the date of grant for incentive stock options and not less than 85% of the fair market value of the Company's common stock on the date of grant for non-statutory stock options. As of June 30, 2022, zero shares underlying options and zero shares of restricted stock 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 the Company's 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 the Company's common stock subject to the option on the date the option is granted. As of June 30, 2022, 435,135 shares underlying options and 506,962 shares of restricted stock units were outstanding under the 2015 Plan.

The Company 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 four to eight years for the Chief Executive Officer. The Company granted 132,117 and 90,286 shares of restricted stock and restricted units (excluding awards with market conditions below) during the six months ended June 30, 2022 and 2021, respectively.

The Company has awarded certain key employees market-based restricted stock awards pursuant to the 2015 Plan. The market-based awards 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, 2022 and 2021, the Company awarded 100,193 and 73,094 market-based restricted stock awards, respectively. The per share weighted average grant-date fair values of the market-based restricted stock awards granted during the six months ended June 30, 2022 and 2021 were \$87.11 and \$94.40, respectively.

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

|                                          | <b>June 30, 2022</b> | <b>June 30, 2021</b> |
|------------------------------------------|----------------------|----------------------|
| Underlying stock price at valuation date | \$ 99.32             | \$ 113.27            |
| Expected volatility                      | 36.7 %               | 30.3 %               |
| Risk-free interest rate                  | 1.8 %                | 1.3 %                |

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Restricted stock award activity for the six months ended June 30, 2022 is set forth below:

|                              | Shares   | Weighted-Average<br>Grant-Date<br>Fair Value |
|------------------------------|----------|----------------------------------------------|
| Nonvested at January 1, 2022 | 383,963  | \$ 62.65                                     |
| Granted                      | —        | —                                            |
| Vested                       | (61,073) | 80.67                                        |
| Canceled                     | (1,605)  | 93.75                                        |
| Nonvested at June 30, 2022   | 321,285  | \$ 60.36                                     |

Restricted stock unit activity for the six months ended June 30, 2022 is set forth below:

|                                              | Number of<br>Shares | Weighted-Average<br>Remaining<br>Contractual<br>Term (in years) | Aggregate<br>Intrinsic<br>Value |
|----------------------------------------------|---------------------|-----------------------------------------------------------------|---------------------------------|
| Outstanding at January 1, 2022               | 360,743             |                                                                 |                                 |
| Granted                                      | 232,310             |                                                                 |                                 |
| Vested                                       | (73,433)            |                                                                 |                                 |
| Canceled                                     | (12,658)            |                                                                 |                                 |
| Outstanding at a June 30, 2022               | 506,962             | 2.9                                                             | \$ 37,783,878                   |
| Vested and expected to vest at June 30, 2022 | 506,962             | 2.9                                                             | \$ 37,783,878                   |

As of June 30, 2022 and December 31, 2021, the Company had unrecognized share-based compensation cost of approximately \$52.9 million and \$44.3 million, respectively, associated with these restricted stock awards and restricted stock units. This cost is expected to be recognized over a weighted-average period of 3.2 for restricted stock awards and 3.9 for restricted stock 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 the Company's common stock at certain plan-defined dates. The price of the Company's 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.

The Company 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 11.15% as of June 30, 2022 and 2021, 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, 2022 and 2021, 76,741 and 58,145 shares were purchased under the Purchase Plan, respectively. Cash received upon the issuance of the Company's common stock under the Purchase Plan was \$5.2 million and \$4.2 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, 1,218,950 shares were available under the Purchase Plan for future issuance.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The Company recognized \$0.8 million and \$0.7 million of compensation expense related to the Purchase Plan for the three months ended June 30, 2022 and 2021, respectively, and \$1.5 million and \$1.3 million for the six months ended June 30, 2022 and 2021, respectively.

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

|                             | <b>June 30, 2022</b> | <b>June 30, 2021</b> |
|-----------------------------|----------------------|----------------------|
| Risk-free interest rate     | 1.54 %               | 0.02 %               |
| Expected term (in years)    | 0.5                  | 0.5                  |
| Dividend yield              | 0.00 %               | 0.00 %               |
| Expected volatility         | 41.6 %               | 29.5 %               |
| Weighted average volatility | 41.6 %               | 29.5 %               |



**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**13. Earnings Per Share**

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

|                                                                                    | <b>Three Months Ended June 30,</b> |                    |                    |                    |
|------------------------------------------------------------------------------------|------------------------------------|--------------------|--------------------|--------------------|
|                                                                                    | <b>2022</b>                        |                    | <b>2021</b>        |                    |
|                                                                                    | <b>Basic</b>                       | <b>Diluted</b>     | <b>Basic</b>       | <b>Diluted</b>     |
| Numerator for basic and diluted net income per common share:                       |                                    |                    |                    |                    |
| Net loss from continuing operations                                                | \$ (46,436)                        | \$ (46,436)        | \$ (23,045)        | \$ (23,045)        |
| Net income available to participating securities <sup>(1)</sup>                    | —                                  | —                  | —                  | —                  |
| 1.75% Convertible Notes interest expense (after-tax) <sup>(2)</sup>                | —                                  | —                  | —                  | —                  |
| Net loss available to the Company's common shareholders from continuing operations | <u>\$ (46,436)</u>                 | <u>\$ (46,436)</u> | <u>\$ (23,045)</u> | <u>\$ (23,045)</u> |
| Denominator:                                                                       |                                    |                    |                    |                    |
| Weighted-average outstanding shares of common stock                                | 46,978,709                         | 46,978,709         | 44,613,533         | 44,613,533         |
| Dilutive effect of:                                                                |                                    |                    |                    |                    |
| Equity incentive plans                                                             | —                                  | —                  | —                  | —                  |
| Convertible debt <sup>(2)</sup>                                                    | —                                  | —                  | —                  | —                  |
| Common stock and common stock equivalents                                          | <u>46,978,709</u>                  | <u>46,978,709</u>  | <u>44,613,533</u>  | <u>44,613,533</u>  |
| Net loss per share from continuing operations:                                     | \$ (0.99)                          | \$ (0.99)          | \$ (0.52)          | \$ (0.52)          |

|                                                                                             | <b>Six Months Ended June 30,</b> |                   |                   |                   |
|---------------------------------------------------------------------------------------------|----------------------------------|-------------------|-------------------|-------------------|
|                                                                                             | <b>2022</b>                      |                   | <b>2021</b>       |                   |
|                                                                                             | <b>Basic</b>                     | <b>Diluted</b>    | <b>Basic</b>      | <b>Diluted</b>    |
| Numerator for basic and diluted net income per common share:                                |                                  |                   |                   |                   |
| Net (loss) income from continuing operations                                                | \$ (21,899)                      | \$ (21,899)       | \$ 15,735         | \$ 15,735         |
| Net loss available to participating securities <sup>(1)</sup>                               | —                                | —                 | (16)              | (16)              |
| 1.75% Convertible Notes interest expense (after-tax) <sup>(2)</sup>                         | —                                | —                 | —                 | —                 |
| Net (loss) income available to the Company's common shareholders from continuing operations | <u>(21,899)</u>                  | <u>(21,899)</u>   | <u>15,719</u>     | <u>15,719</u>     |
| Denominator:                                                                                |                                  |                   |                   |                   |
| Weighted-average outstanding shares of common stock                                         | 47,016,351                       | 47,016,351        | 44,506,933        | 44,506,933        |
| Dilutive effect of:                                                                         |                                  |                   |                   |                   |
| Equity incentive plans                                                                      | —                                | —                 | —                 | 123,708           |
| Convertible debt <sup>(2)</sup>                                                             | —                                | —                 | —                 | 2,500,338         |
| Common stock and common stock equivalents                                                   | <u>47,016,351</u>                | <u>47,016,351</u> | <u>44,506,933</u> | <u>47,130,979</u> |
| Net (loss) income per share from continuing operations:                                     | \$ (0.47)                        | \$ (0.47)         | \$ 0.35           | \$ 0.33           |

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

(2) Under the modified retrospective method of adoption of ASU 2020-06, the dilutive impact of convertible debt was calculated using the if-converted method for the three and six months ended June 30, 2022. The dilutive impact of convertible debt was calculated using the treasury stock method for the three and six months ended June 30, 2021 (see Note 8 - Debt).

For the three months ended June 30, 2022 and 2021, there were 1,263,394 and 1,187,395, respectively, stock options and restricted stock excluded from the calculation as they were anti-dilutive. For the six months ended June 30, 2022 and 2021, there were 1,263,394 and zero, respectively, stock options and restricted stock excluded from the calculation as they were anti-

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

dilutive. For the three months ended June 30, 2022 and 2021, there were 5,158,071 and 10,292,182 shares, respectively, related to convertible debt excluded from the calculation as they were anti-dilutive. For the six months ended June 30, 2022 and 2021, there were 5,158,071 and zero shares, respectively, related to convertible debt excluded from the calculation as they were anti-dilutive.

**14. Segment Information**

The Company's businesses are based on the organizational structure used by the chief operating decision maker ("CODM"). The CODM views the Company as two businesses: Digital Media and Cybersecurity and Martech.

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 15, 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 income from operations is as follows (in thousands):

|                                                          | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|----------------------------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
|                                                          | <b>2022</b>                        | <b>2021</b> | <b>2022</b>                      | <b>2021</b> |
| <b>Revenue by reportable segment:</b>                    |                                    |             |                                  |             |
| Digital Media                                            | \$ 258,700                         | \$ 253,977  | \$ 493,527                       | \$ 480,850  |
| Cybersecurity and Martech                                | 78,910                             | 87,608      | 159,404                          | 172,510     |
| Elimination of inter-segment revenues                    | (254)                              | (292)       | (507)                            | (410)       |
| Total segment revenues                                   | 337,356                            | 341,293     | 652,424                          | 652,950     |
| Corporate <sup>(1)</sup>                                 | —                                  | —           | —                                | —           |
| Total revenues                                           | 337,356                            | 341,293     | 652,424                          | 652,950     |
| <b>Gross profit by reportable segment:</b>               |                                    |             |                                  |             |
| Digital Media                                            | \$ 233,447                         | \$ 228,698  | \$ 443,153                       | \$ 434,759  |
| Cybersecurity and Martech                                | 58,263                             | 63,895      | 117,656                          | 125,754     |
| Elimination of inter-segment gross profit                | (358)                              | (76)        | (489)                            | (126)       |
| Total segment gross profit                               | 291,352                            | 292,517     | 560,320                          | 560,387     |
| Corporate <sup>(1)</sup>                                 | —                                  | (9)         | —                                | (74)        |
| Total gross profit                                       | 291,352                            | 292,508     | 560,320                          | 560,313     |
| <b>Direct costs by reportable segment<sup>(2)</sup>:</b> |                                    |             |                                  |             |
| Digital Media                                            | \$ 188,824                         | \$ 184,592  | \$ 366,410                       | \$ 360,010  |
| Cybersecurity and Martech                                | 45,686                             | 85,090      | 92,751                           | 135,074     |
| Elimination of inter-segment direct costs                | (358)                              | (76)        | (489)                            | (126)       |
| Total segment direct costs                               | 234,152                            | 269,606     | 458,672                          | 494,958     |
| Corporate <sup>(1)</sup>                                 | 11,304                             | 12,847      | 25,199                           | 28,419      |
| Total direct costs                                       | 245,456                            | 282,453     | 483,871                          | 523,377     |
| <b>Operating income by reportable segment:</b>           |                                    |             |                                  |             |
| Digital Media                                            | \$ 44,623                          | \$ 44,106   | \$ 76,743                        | \$ 74,749   |
| Cybersecurity and Martech                                | 12,577                             | (21,195)    | 24,905                           | (9,320)     |
| Total segment operating income                           | 57,200                             | 22,911      | 101,648                          | 65,429      |
| Corporate <sup>(1)</sup>                                 | (11,313)                           | (12,856)    | (25,199)                         | (28,493)    |
| Income from operations                                   | \$ 45,887                          | \$ 10,055   | \$ 76,449                        | \$ 36,936   |

(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.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

- (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. For the three and six months ended June 30, 2021, goodwill impairment related to our B2B Backup business is also included within direct costs for Cybersecurity and Martech.

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 Cybersecurity and Martech. Accordingly, the following segment information is presented for Digital Media and Cybersecurity and Martech.

|                                       | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---------------------------------------|----------------------|--------------------------|
| <b>Assets:</b>                        |                      |                          |
| Digital Media                         | \$ 2,062,499         | \$ 2,043,204             |
| Cybersecurity and Martech             | 1,090,546            | 1,088,741                |
| Total assets from reportable segments | 3,153,045            | 3,131,945                |
| Corporate                             | 390,050              | 638,335                  |
| Total assets                          | <u>\$ 3,543,095</u>  | <u>\$ 3,770,280</u>      |

|                                                 | <b>Six Months Ended June 30,</b> |                  | <b>2022</b> | <b>2021</b> |
|-------------------------------------------------|----------------------------------|------------------|-------------|-------------|
| <b>Capital expenditures</b>                     |                                  |                  |             |             |
| Digital Media                                   | \$ 46,777                        | \$ 38,047        |             |             |
| Cybersecurity and Martech                       | 7,098                            | 11,709           |             |             |
| Total from reportable segments                  | 53,875                           | 49,756           |             |             |
| Corporate                                       | 1                                | —                |             |             |
| Capital expenditures of discontinued operations | —                                | 8,010            |             |             |
| Total capital expenditures                      | <u>\$ 53,876</u>                 | <u>\$ 57,766</u> |             |             |

|                                                          | <b>Three Months Ended June 30,</b> |                  | <b>Six Months Ended June 30,</b> |                   | <b>2022</b> | <b>2021</b> |
|----------------------------------------------------------|------------------------------------|------------------|----------------------------------|-------------------|-------------|-------------|
| <b>Depreciation and amortization:</b>                    |                                    |                  |                                  |                   |             |             |
| Digital Media                                            | \$ 47,543                          | \$ 49,076        | \$ 93,664                        | \$ 97,426         |             |             |
| Cybersecurity and Martech                                | 12,264                             | 12,836           | 25,121                           | 27,061            |             |             |
| Total from reportable segments                           | 59,807                             | 61,912           | 118,785                          | 124,487           |             |             |
| Corporate                                                | 65                                 | 45               | 158                              | 138               |             |             |
| Depreciation and amortization of discontinued operations | —                                  | 2,779            | —                                | 5,601             |             |             |
| Total depreciation and amortization                      | <u>\$ 59,872</u>                   | <u>\$ 64,736</u> | <u>\$ 118,943</u>                | <u>\$ 130,226</u> |             |             |

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The Company maintains operations in the U.S., Canada, Ireland, the United Kingdom, India 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).

|                     | <b>Three Months Ended June 30,</b> |                   | <b>Six Months Ended June 30,</b> |                   |
|---------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                     | <b>2022</b>                        | <b>2021</b>       | <b>2022</b>                      | <b>2021</b>       |
| <b>Revenues:</b>    |                                    |                   |                                  |                   |
| United States       | \$ 286,757                         | \$ 284,398        | \$ 550,232                       | \$ 540,533        |
| Canada              | 8,086                              | 8,159             | 16,151                           | 16,311            |
| Ireland             | 7,732                              | 9,342             | 16,544                           | 19,055            |
| All other countries | 34,781                             | 39,394            | 69,497                           | 77,051            |
| Total               | <u>\$ 337,356</u>                  | <u>\$ 341,293</u> | <u>\$ 652,424</u>                | <u>\$ 652,950</u> |

|                           | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---------------------------|----------------------|--------------------------|
| <b>Long-lived assets:</b> |                      |                          |
| United States             | \$ 677,416           | \$ 726,128               |
| All other countries       | 74,041               | 63,423                   |
| Total                     | <u>\$ 751,457</u>    | <u>\$ 789,551</u>        |

**15. Accumulated Other Comprehensive Loss**

The following table summarizes the changes in accumulated balances of other comprehensive loss, net of tax, for the three months ended June 30, 2022 (in thousands):

|                                                  | <b>Unrealized Gains<br/>(Losses) on<br/>Investments</b> | <b>Foreign Currency<br/>Translation</b> | <b>Total</b>       |
|--------------------------------------------------|---------------------------------------------------------|-----------------------------------------|--------------------|
| Balance as of April 1, 2022                      | \$ 169                                                  | \$ (59,600)                             | \$ (59,431)        |
| Other comprehensive loss before reclassification | —                                                       | (24,265)                                | (24,265)           |
| Net current period other comprehensive loss      | —                                                       | (24,265)                                | (24,265)           |
| Balance as of June 30, 2022                      | <u>\$ 169</u>                                           | <u>\$ (83,865)</u>                      | <u>\$ (83,696)</u> |

The following table summarizes the changes in accumulated balances of other comprehensive loss, net of tax, for the six months ended June 30, 2022 (in thousands):

|                                             | <b>Unrealized Gains<br/>(Losses) on<br/>Investments</b> | <b>Foreign Currency<br/>Translation</b> | <b>Total</b>       |
|---------------------------------------------|---------------------------------------------------------|-----------------------------------------|--------------------|
| Balance as of January 1, 2022               | \$ 169                                                  | \$ (57,391)                             | \$ (57,222)        |
| Other comprehensive loss                    | —                                                       | (30,530)                                | (30,530)           |
| Consensus separation adjustment             | —                                                       | 4,056                                   | 4,056              |
| Net current period other comprehensive loss | —                                                       | (26,474)                                | (26,474)           |
| Balance as of June 30, 2022                 | <u>\$ 169</u>                                           | <u>\$ (83,865)</u>                      | <u>\$ (83,696)</u> |

There were no reclassifications out of accumulated other comprehensive loss for the three and six months ended June 30, 2022. During the three and six months ended June 30, 2022, accumulated other comprehensive loss and other comprehensive loss were adjusted by approximately zero and \$4.1 million, respectively, related to the subsequent accounting for the Separation.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**16. Related Party Transactions**

***Consensus***

In preparation for and in executing the Separation, the Company incurred transaction-related costs, some of which were or the Company expects to be, reimbursed by Consensus. These transaction costs primarily related to professional fees associated with preparation of regulatory filings and transaction execution and separation activities within finance, tax and legal functions. In connection with the Separation, Ziff Davis and Consensus entered into several agreements that govern the relationship of the parties following the Separation, including a separation and distribution agreement, a transition services agreement, a tax matters agreement, an employee matters agreement, an intellectual property license agreement, and a stockholder and registration rights agreement. The transition services agreement governs services including certain information technology services, finance and accounting services and human resource and employee benefit services. The agreed-upon charges for such services are generally intended to allow the providing company to recover all costs and expenses of providing such services and is expected to terminate no later than twelve months following the Separation. Amounts due from Consensus as of June 30, 2022 and December 31, 2021 were approximately \$6.2 million and \$9.3 million, respectively, related to reimbursement of certain costs pursuant to the transition services agreement, certain transaction related costs and other costs, and is included in 'Accounts receivable' within the Condensed Consolidated Balance Sheets. During the three and six months ended June 30, 2022, the Company recorded an offset to expense of approximately zero and \$1.2 million, respectively, from Consensus related to certain items above within 'General and administrative expenses' within the Condensed Consolidated Statements of Operations. During the three and six months ended June 30, 2022, Consensus paid the Company approximately \$11.5 million and \$11.5 million, respectively, related to reimbursement of items described above.

Further, the Company assigned its lease of office space in Los Angeles, California to Consensus. Ziff Davis will remain the lessee under this lease and its obligations remain in place through October 7, 2022, after which time Consensus will take over the lease in full. During the three and six months ended June 30, 2022, the Company recorded an offset to lease expense of approximately \$0.4 million and \$0.9 million, respectively, related to this lease, however, Consensus paid the landlord directly (other than an immaterial amount of sublease payments from Ziff Davis to Consensus).

***OCV***

On September 25, 2017, the Company entered into a commitment to invest in the Fund. The manager, OCV Management, LLC, and general partner of the Fund are entities with respect to which Richard S. Ressler, former Chairman of the Board, is indirectly the majority equity holder. Mr. Ressler's tenure with the Board ended as of May 10, 2022. After Mr. Ressler's tenure with the Board ended, the Fund is no longer a related party and activity subsequent to this date is not included within the following disclosures. During the three and six months ended June 30, 2022 and 2021, the Company recognized expense for management fees of \$0.8 million and \$0.8 million, net of tax benefit, respectively, and \$1.5 million and \$1.5 million, net of tax benefit, respectively. During the six months ended June 30, 2021, the Company received capital call notices from the management of OCV Management, LLC for \$11.1 million, inclusive of certain management fees. Approximately \$10.1 million was paid for capital call notices during the six months ended June 30, 2021. 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 connection with the settlement of certain litigation generally related to the Company's investment in the Fund (see Note 9 - *Commitments and Contingencies*), among other terms, no further capital calls were made during the six months ended June 30, 2022 or will be made in the future in connection with the Company's investment in the Fund, nor will any future management fees be paid by the Company to the manager.

**17. Subsequent Event**

During July and August of 2022, the Company repurchased an additional \$80.0 million in aggregate principal amount of the 4.625% Senior Notes at an aggregate purchase price of approximately \$71.5 million.

## 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, 2021 (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, including inflation, supply chain and other factors and their related impacts on customer acquisition and retention rates, customer usage levels, and credit and debit card payment declines;
- Maintain and increase our 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;
- 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
- Realize the expected benefits of the cloud fax 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

Ziff Davis, Inc. (formerly J2 Global, Inc.) was incorporated in 2014 as a Delaware corporation through the creation of a holding company structure. Our Cybersecurity and Martech businesses are operated by our wholly owned subsidiary, J2 Global Ventures, LLC. Prior to the spin-off of Consensus Cloud Solutions, Inc. (“Consensus”), our Cybersecurity and Martech businesses were operated by our former wholly owned subsidiary J2 Cloud Services, LLC (formerly J2 Cloud Services, Inc.), which was founded in 1995, and subsidiaries of J2 Cloud Services, LLC.

Ziff Davis, Inc., together with its subsidiaries (“Ziff Davis”, “the Company”, “our”, “us” or “we”), is a vertically focused digital media and internet company. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Our Cybersecurity and Martech business provides cloud-based subscription services to consumers and businesses including cybersecurity, privacy and marketing technology.

In February 2021, we sold certain Voice assets in the United Kingdom and in September 2021, we sold our B2B Backup business. In October 2021 we completed the separation of our cloud fax business (the “Separation”) into an independent publicly traded company, Consensus.

The accounting requirements for reporting the Separation of Consensus as a discontinued operation were met when the Separation was completed on October 7, 2021. Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the results of the Consensus business as a discontinued operation. Ziff Davis retained a 19.9% interest in Consensus following the Separation (the “Investment in Consensus”). Ziff Davis did not retain a controlling interest in Consensus. On June 10, 2022, the Company entered into a Fifth Amendment to its Credit Agreement with MUFG Union Bank, N.A., as administrative agent and collateral agent and the lenders party thereto to effectuate the debt-for equity exchange of the portion of the Investment in Consensus. The Fifth Amendment to the Credit Agreement (i) provided for the issuance of a senior secured term loan under the Credit Agreement, in an aggregate principal amount of \$90.0 million (the “Term Loan Facility”) and (ii) certain other changes to the Credit Agreement. Refer to Note 8 - *Debt* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Part I Item 2 for additional information. During the three months ended June 30, 2022, the Company borrowed approximately \$90.0 million under the Term Loan Facility and completed a non-cash exchange of 2.3 million shares of the Investment in Consensus with a carrying value of \$138.3 million to settle its obligation to repay the \$90.0 million outstanding aggregate principal amount of the Term Loan Facility plus related interest (the “Debt-for-Equity Exchange”). As of June 30, 2022, the Company holds 1.7 million shares of the common stock of Consensus. The Investment in Consensus represents an investment into equity securities for which the Company elected the fair value option and subsequent fair value changes in the Consensus shares are included in the assets of and results from continuing operations.

Our Digital Media business generates revenues from advertising and sponsorships, subscription and usage fees, performance marketing and licensing fees. Our Cybersecurity and Martech business generates revenues primarily from recurring fixed and variable usage-based subscription and licensing 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 two 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 Cybersecurity and Martech business is driven primarily by subscription revenues with relatively stable and predictable margins from quarter to 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.

#### Performance Metrics

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

|                                                 | Three Months Ended June 30, |                   | Six Months Ended June 30, |                   |
|-------------------------------------------------|-----------------------------|-------------------|---------------------------|-------------------|
|                                                 | 2022                        | 2021              | 2022                      | 2021              |
| <b>Digital Media</b>                            |                             |                   |                           |                   |
| Advertising <sup>(1)</sup>                      | \$ 189,198                  | \$ 198,385        | \$ 359,265                | \$ 375,673        |
| Subscription <sup>(1)</sup>                     | 58,901                      | 48,299            | 114,477                   | 93,924            |
| Other <sup>(1)</sup>                            | 10,601                      | 7,293             | 19,785                    | 11,253            |
| <b>Total Digital Media revenues</b>             | <b>\$ 258,700</b>           | <b>\$ 253,977</b> | <b>\$ 493,527</b>         | <b>\$ 480,850</b> |
| <b>Cybersecurity and Martech</b>                |                             |                   |                           |                   |
| Subscription                                    | \$ 78,910                   | \$ 87,608         | \$ 159,404                | \$ 172,510        |
| <b>Total Cybersecurity and Martech revenues</b> | <b>\$ 78,910</b>            | <b>\$ 87,608</b>  | <b>\$ 159,404</b>         | <b>\$ 172,510</b> |
| Elimination of inter-segment revenues           | (254)                       | (292)             | (507)                     | (410)             |
| <b>Total Revenues</b>                           | <b>\$ 337,356</b>           | <b>\$ 341,293</b> | <b>\$ 652,424</b>         | <b>\$ 652,950</b> |

(1) During the three and six months ended June 30, 2021, the Company reclassified approximately \$1.5 million and \$4.7 million of revenue from 'Subscription' to 'Advertising' and reclassified approximately \$4.4 million and \$6.5 million of revenue from 'Subscription' to 'Other' to conform with current period presentation. These reclassifications were made in order to separate games publishing revenue from traditional advertising revenue and to move job posting related revenue from subscriptions to advertising.

We use certain metrics to generally assess the operational and financial performance of our businesses. We have changed these metrics effective January 1, 2022, and the following descriptions align with the metrics management now uses to monitor the performance of its various advertising and subscription-based businesses. For our advertising businesses, net advertising revenue retention is an indicator of our ability to retain the spend of our existing advertisers year over year, which we view as a reflection of the effectiveness of our advertising platform. Similarly, we monitor the number of our advertisers and the revenue per advertiser (as defined) as these metrics provide further details related to our reported revenue and contribute to certain of our business planning decisions.

For our subscription and licensing businesses, the number of subscribers that we serve is an indicator of our customer retention and growth. The average monthly revenue per subscriber and the churn rate also contribute to insights that contribute to certain of our business planning decisions.



The following table sets forth certain key operating metrics for our Digital Media advertising business for the three months ended June 30, 2022 and 2021:

|                                                  | Three Months Ended June 30, |            |
|--------------------------------------------------|-----------------------------|------------|
|                                                  | 2022                        | 2021       |
| Net advertising revenue retention <sup>(1)</sup> | 99.6 %                      | 111.2 %    |
| Advertisers <sup>(2)</sup>                       | \$ 2,016                    | 1,913      |
| Quarterly revenue per advertiser <sup>(3)</sup>  | \$ 93,848                   | \$ 103,704 |

(1) Net advertising revenue retention equals (i) the trailing twelve month revenue recognized related to prior year advertisers in the current year period (excluding revenue from acquisitions during the stub period) divided by (ii) the trailing twelve month revenue recognized related to prior year advertisers in the prior year period (excluding revenue from acquisitions during the stub period). This excludes advertisers that generated less than \$10,000 of revenue in the measurement period. Due to the aggregation of certain reporting systems related to the integration of acquisitions, retention data for the second quarter of 2021 reflects certain estimates.

(2) Excludes advertisers that spent less than \$2,500 in the quarter within certain divisions.

(3) Represents total gross quarterly advertising revenues divided by advertisers as defined in footnote (2).

The following table sets forth certain key operating metrics for our Digital Media and Cybersecurity and Martech subscription and licensing businesses for the three months ended June 30, 2022 and 2021:

|                                                         | Three Months Ended June 30, |                                                 |                                                 |
|---------------------------------------------------------|-----------------------------|-------------------------------------------------|-------------------------------------------------|
|                                                         | 2022                        | 2021 (excluding disposed assets) <sup>(1)</sup> | 2021 (including disposed assets) <sup>(1)</sup> |
| Subscribers (in thousands) <sup>(2)</sup>               | 2,393                       | 2,340                                           | 2,368                                           |
| Average quarterly revenue per subscriber <sup>(3)</sup> | \$57.64                     | \$53.17                                         | \$57.32                                         |
| Churn rate <sup>(4)</sup>                               | 2.92%                       | 2.51%                                           | 2.44%                                           |

(1) The metrics in the table above are shown exclusive and inclusive of the B2B Backup business that was sold during the third quarter of 2021. The metric of average monthly revenue per subscriber excluding disposed assets for the three and six months ended June 30, 2021 is considered a non-GAAP measure. The Company believes this provides useful information to allow for comparability of these metrics without disposed assets in both periods. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP.

(2) Represents the quarterly average of the end of month subscriber counts for both the Digital Media and Cybersecurity and Martech businesses. Cybersecurity and Martech subscribers are defined as a direct customer, including customers who have paused but not cancelled their subscription. If the company provides services through a reseller or a partner and the Company does not have visibility into the number of underlying subscribers, the reseller or partner is counted as one subscriber.

(3) Represents quarterly subscription revenues divided by customers in the table above.

(4) Churn rate is calculated as (i) the average revenue per subscription in the prior month multiplied by the number of cancellations in the current month, calculated at each business and aggregated; divided by (ii) subscription revenue in the current month, calculated at each business and aggregated. For Ookla, this is calculated by taking the sum of the monthly revenue from the specific cancelled agreements.

## 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 2021 Annual Report on Form 10-K filed with the SEC on March 15, 2022. During the three and six months ended June 30, 2022, there were no significant changes in our critical accounting policies and estimates. See Note 1 to the Condensed Consolidated Financial Statements for additional description of significant accounting policies of the Company.

## Results of Operations for the Three and Six Months Ended June 30, 2022

### *Digital Media*

We expect revenue for fiscal year 2022 to be higher compared to the prior year driven by acquisitions and organic growth in certain of our businesses. 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, and we continue to expand our advertising platforms. The main focus of our platform monetization programs is to provide relevant and useful advertising to visitors to our websites, provide meaningful content that informs and shapes purchase intent, and leverage our brand and editorial assets into subscription platforms. 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, and improve the effectiveness of our content in driving purchase decisions and subscriptions.

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.

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 operating profit margins.

### *Cybersecurity and Martech*

We expect 2022 revenue to be lower compared to the prior year driven by the divestitures of our B2B Backup business and Voice assets, partially offset by acquisitions and organic growth in certain of our businesses. The main focus of our Cybersecurity and Martech service 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 Cybersecurity and Martech's overall operating profit margins.

### *Consolidated*

Based on the trends discussed above with respect to our Digital Media and Cybersecurity and Martech businesses, we anticipate our consolidated revenue for fiscal year 2022 to be in line with the prior year. We expect operating profit as a percentage of revenues to be generally consistent with 2021's operating profit margins.

### **Revenues**

| (in thousands, except percentages) | Three Months Ended June 30, |            | Percentage Change | Six Months Ended June 30, |            | Percentage Change |
|------------------------------------|-----------------------------|------------|-------------------|---------------------------|------------|-------------------|
|                                    | 2022                        | 2021       |                   | 2022                      | 2021       |                   |
| Revenues                           | \$ 337,356                  | \$ 341,293 | (1)%              | \$ 652,424                | \$ 652,950 | 0%                |

Our revenues consist of revenues from our Digital Media and Cybersecurity and Martech businesses. Digital Media revenues primarily consist of advertising revenues and 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. Cybersecurity and Martech revenues primarily consist of revenues from “fixed” customer subscription revenues and “variable” revenues generated from actual usage of our services.

Our revenues decreased during the three and six months ended June 30, 2022 primarily due to declines in parts of both the Digital Media and Cybersecurity and Martech businesses and the absence of revenues associated with recently divested businesses, partially offset by contributions from recently acquired businesses and organic growth in certain parts of both the Digital Media and Cybersecurity and Martech businesses. Revenue in the second quarter of 2021 and the first six months of 2021 included approximately \$11.3 million and \$23.9 million, respectively, of revenue from the divested B2B Backup business and Voice assets. Revenue in the second quarter of 2022 and the first six months of 2022 included approximately \$26.2 million and \$51.0 million, respectively, of revenue related to businesses acquired during the twelve months prior to the beginning of the respective period.

#### *Cost of Revenues*

| (in thousands, except percentages) | Three Months Ended June 30, |           | Percentage Change | Six Months Ended June 30, |           | Percentage Change |
|------------------------------------|-----------------------------|-----------|-------------------|---------------------------|-----------|-------------------|
|                                    | 2022                        | 2021      |                   | 2022                      | 2021      |                   |
| Cost of revenue                    | \$ 46,004                   | \$ 48,785 | (6)%              | \$ 92,104                 | \$ 92,637 | (1)%              |
| As a percent of revenue            | 14 %                        | 14 %      |                   | 14 %                      | 14 %      |                   |

Cost of revenues is primarily comprised of costs associated with content fees, editorial and production costs and hosting costs. The decrease in cost of revenues for the three months ended June 30, 2022 was primarily due to approximately \$4.1 million less in costs of revenue related to the sale of the B2B Backup business, partially offset by higher media inventory and operations costs, including content fees, editorial and production costs and higher database hosting services. The decrease in cost of revenues for the six months ended June 30, 2022 was primarily due to approximately \$9.4 million less in costs of revenue related to the sale of the B2B Backup business offset by higher database hosting services, network and customer service costs, field operations costs and higher media inventory and operations costs, including content fees, editorial and production costs.

#### *Operating Expenses*

##### *Sales and Marketing.*

| (in thousands, except percentages) | Three Months Ended June 30, |            | Percentage Change | Six Months Ended June 30, |            | Percentage Change |
|------------------------------------|-----------------------------|------------|-------------------|---------------------------|------------|-------------------|
|                                    | 2022                        | 2021       |                   | 2022                      | 2021       |                   |
| Sales and Marketing                | \$ 123,777                  | \$ 120,421 | 3%                | \$ 241,539                | \$ 228,372 | 6%                |
| As a percent of revenue            | 37 %                        | 35 %       |                   | 37 %                      | 35 %       |                   |

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 costs for the three months ended June 30, 2022 was \$67.9 million (primarily consisting of \$28.2 million of third-party advertising costs and \$26.8 million of personnel costs) compared to \$59.4 million (primarily consisting of \$33.4 million of third-party advertising costs and \$19.9 million of personnel costs) in the prior year period. Advertising costs for the six months ended June 30, 2022 was \$128.0 million (primarily consisting of \$55.4 million of third-party advertising costs and \$49.6 million of personnel costs) compared to \$112.1 million (primarily consisting of \$60.0 million of third-party advertising costs and \$41.9 million of personnel costs) in the prior year period. The increase in sales and marketing expenses during the three and six months ended June 30, 2022 from the comparable periods was primarily from increased advertising costs related to outside sales commissions, professional and consulting services and software licenses.

*Research, Development and Engineering.*

| (in thousands, except percentages)    | Three Months Ended June 30, |           | Percentage Change | Six Months Ended June 30, |           | Percentage Change |
|---------------------------------------|-----------------------------|-----------|-------------------|---------------------------|-----------|-------------------|
|                                       | 2022                        | 2021      |                   | 2022                      | 2021      |                   |
| Research, Development and Engineering | \$ 19,721                   | \$ 17,705 | 11%               | \$ 38,148                 | \$ 37,380 | 2%                |
| As a percent of revenue               | 6 %                         | 5 %       |                   | 6 %                       | 6 %       |                   |

Our research, development and engineering costs consist primarily of personnel-related expenses. The increase in research, development and engineering costs for the three months ended June 30, 2022 compared to the prior year period was primarily due to an increase in engineering costs, business intelligence and systems costs. The increase in research, development and engineering costs for the six months ended June 30, 2022 compared to the prior year period was primarily due to an increase in business intelligence and systems costs, partially offset by lower engineering costs.

*General and Administrative.*

| (in thousands, except percentages) | Three Months Ended June 30, |            | Percentage Change | Six Months Ended June 30, |            | Percentage Change |
|------------------------------------|-----------------------------|------------|-------------------|---------------------------|------------|-------------------|
|                                    | 2022                        | 2021       |                   | 2022                      | 2021       |                   |
| General and Administrative         | \$ 101,967                  | \$ 111,698 | (9)%              | \$ 204,184                | \$ 224,996 | (9)%              |
| As a percent of revenue            | 30 %                        | 33 %       |                   | 31 %                      | 34 %       |                   |

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 decrease in general and administrative expense from the second quarter of 2021 to the second quarter of 2022 was primarily due to a decrease in general management and finance costs, lower depreciation and amortization expense and the absence of general and administrative costs related to the B2B Backup business. The decrease in general and administrative expense from the first six months of 2021 to the first six months of 2022 was primarily due to a decrease in legal and finance costs, lower depreciation and amortization expense and the absence of general and administrative costs related to the B2B Backup business.

*Goodwill impairment on business.* Goodwill impairment was zero and \$32.6 million for the three months ended June 30, 2022 and 2021, respectively, and zero and \$32.6 million for the six months ended June 30, 2022 and 2021, respectively. The goodwill impairment during the three and six months ended June 30, 2021 was generated from the impairment of the B2B Backup business in the second quarter of 2021.

*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, 2022 and 2021 (in thousands):

|                                       | Three Months Ended June 30, |          | Six Months Ended June 30, |           |
|---------------------------------------|-----------------------------|----------|---------------------------|-----------|
|                                       | 2022                        | 2021     | 2022                      | 2021      |
| Cost of revenues                      | \$ 142                      | \$ 67    | \$ 226                    | \$ 150    |
| Operating expenses:                   |                             |          |                           |           |
| Sales and marketing                   | 1,106                       | 278      | 1,675                     | 544       |
| Research, development and engineering | 852                         | 458      | 1,481                     | 876       |
| General and administrative            | 5,603                       | 5,066    | 11,038                    | 10,029    |
| Total                                 | \$ 7,703                    | \$ 5,869 | \$ 14,420                 | \$ 11,599 |

### ***Non-Operating Income and Expenses***

*Interest expense, net.* Our interest expense, net is generated primarily from interest expense due on outstanding debt, partially offset by interest income earned on cash, cash equivalents and investments. Interest expense, net was \$7.0 million and \$21.0 million for the three months ended June 30, 2022 and 2021, respectively, and \$18.5 million and \$42.5 million for the six months ended June 30, 2022 and 2021, respectively. Interest expense, net decreased during the three months ended June 30, 2022 primarily due to approximately \$6.1 million less interest expense due to the redemption of our 3.25% Convertible Notes in August 2021, approximately \$3.9 million less interest expense from the adoption of ASU 2020-06 during 2022, whereby we no longer amortize a debt discount on the 1.75% Convertible Notes and a \$3.1 million gain associated with the repurchase of the 4.625% Senior Notes. Interest expense, net decreased during the six months ended June 30, 2022 primarily due to approximately \$12.3 million less interest expense due to the redemption of our 3.25% Convertible Notes in August 2021, approximately \$7.7 million less interest expense from the adoption of ASU 2020-06 during 2022 and a \$1.9 million net gain associated with the repurchase of the 4.625% Senior Notes.

*Gain on sale of businesses.* Our gain on sale of businesses was 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 zero and \$0.8 million for the three months ended June 30, 2022 and 2021, respectively. Gain on sale of businesses was zero and \$2.8 million for the six months ended June 30, 2022 and 2021, respectively.

*Unrealized loss on short-term investment.* Unrealized loss on short-term investment was \$27.3 million and zero during the three months ended June 30, 2022 and 2021, respectively, and \$18.4 million and zero during the six months ended June 30, 2022 and 2021, respectively. The unrealized loss recorded during the three and six months ended June 30, 2022 was due to the unrealized loss on our Investment in Consensus.

*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 \$48.2 million and \$16.7 million for the three months ended June 30, 2022 and 2021, respectively, and \$48.2 million and \$16.7 million for the six months ended June 30, 2022 and 2021, respectively. Our loss on investments, net increased for the three and six months ended June 30, 2022 versus the prior comparable period related to the realized loss on the sale of 2.3 million shares from our investment in Consensus resulting from the decrease in the quoted share price of Consensus.

*Other income (loss), net.* Our other income (loss), net is generated primarily from miscellaneous items and gain or losses on foreign currency exchange. Other income (loss), net was \$6.3 million and \$(0.8) million for the three months ended June 30, 2022 and 2021, respectively, and \$8.7 million and \$(0.6) million for the six months ended June 30, 2022 and 2021, respectively. Other income (loss), net increased for the three and six months ended June 30, 2022 compared to the prior year periods due primarily to gains on foreign 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 \$10.1 million and \$(10.3) million for the three months ended June 30, 2022 and 2021, respectively, and \$15.1 million and \$(17.2) million for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rate was (33.2)% and 37.4% for the three months ended June 30, 2022 and 2021, respectively, and 12,760.8% and 86.1% for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rate for the three and six months ended June 30, 2022 has been disproportionately impacted due to the size of the discrete book loss related to the Disposed Consensus Shares and the Retained Consensus Shares. The net loss recorded for book purposes for the Investment in Consensus, excluding transaction costs, resulted in no tax benefit. The loss is not subject to tax since the Company has the ability to dispose of the investment in a tax-free manner based on guidance and requirements set out by the Internal Revenue Service.

The decrease in our effective income tax rate for the three months ended June 30, 2022 was primarily attributable to the following:

1. a decrease in our effective income tax rate during 2022 due to a loss recorded for book purposes for the Disposed Consensus Shares and Retained Consensus Shares that resulted in no tax benefit since the Company has the ability to dispose of the investment tax-free under certain guidelines; and
2. a tax benefit recognized during the three months ended June 30, 2021 due to the recognition of a deferred tax asset related to goodwill impairment with no similar event in 2022; partially offset by
3. an increase in our effective income tax rate during 2022 for U.S. state and local taxes due to a greater portion of our income being subject to tax in the U.S.

The increase in our effective income tax rate for the six months ended June 30, 2022 was primarily attributable to the following:

1. an increase in our effective income tax rate during 2022 due to a loss recorded for book purposes for the Disposed Consensus Shares and Retained Consensus Shares that resulted in no tax benefit since the Company has the ability to dispose of the investment tax-free under certain guidelines; and
2. an increase in tax expense during 2022 due to a tax benefit recognized in 2021 for recognizing a deferred tax asset related to goodwill impairment with no similar events for the six months ended June 30, 2022; and
3. an increase in tax expense due to discrete tax benefits related to a reduction in our net reserve for uncertain tax positions recognized in 2021 with no similar events for the six months ended June 30, 2022; and
4. an increase in tax expense due to a tax benefit recognized for the release of a valuation allowance on deferred tax assets related to the impairment of certain U.S. investments with no similar events for the six months ended June 30, 2022; partially offset by
5. a decrease in tax expense during 2022 due to an increase in our U.S. deduction for foreign derived intangible income.

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***

*(Loss) income from equity method investment, net.* (Loss) income from equity method investment, net is generated from our investment in the OCV Fund I, LP (the “Fund”) for which we receive annual audited financial statements. The investment in the Fund, including management fees, is presented net of tax and on a one-quarter lag due to the timing and availability of financial information from the Fund. 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 (loss) income from equity method investment, net was \$(6.1) million and \$(5.8) million net of tax benefit for the three months ended June 30, 2022 and 2021, respectively, and \$(6.9) million and \$18.5 million, for the six months ended June 30, 2022 and 2021, respectively. The decrease in income from equity method investment, net during the three and six months ended June 30, 2022 was primarily due to lower gains on the underlying investments. During the three and six months ended June 30, 2022 and 2021, the Company recognized expense for management fees of \$0.8 million and \$0.8 million, net of tax benefit, respectively, and \$1.5 million and \$1.5 million, net of tax benefit, respectively.

#### ***Digital Media and Cybersecurity and Martech 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 reportable segments: (i) Digital Media and (ii) Cybersecurity and Martech.

We evaluate the performance of our segments based on revenues, including both external and inter-business net sales, and operating income. We account for inter-business 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 inter-business amounts are eliminated to arrive at our consolidated financial results.

## Digital Media

The financial results are presented as follows (in thousands):

|                          | Three Months Ended June 30, |            | Six Months Ended June 30, |            |
|--------------------------|-----------------------------|------------|---------------------------|------------|
|                          | 2022                        | 2021       | 2022                      | 2021       |
| Gross sales              | \$ 258,700                  | \$ 253,977 | \$ 493,527                | \$ 480,850 |
| Inter-business net sales | (357)                       | (216)      | (489)                     | (284)      |
| Net sales                | 258,343                     | 253,761    | 493,038                   | 480,566    |
| Cost of revenues         | 24,896                      | 25,355     | 49,885                    | 46,217     |
| Gross profit             | 233,447                     | 228,622    | 443,153                   | 434,633    |
| Operating expenses       | 188,824                     | 184,516    | 366,410                   | 359,884    |
| Operating income         | \$ 44,623                   | \$ 44,106  | \$ 76,743                 | \$ 74,749  |

Digital Media's net sales of \$258.3 million for the three months ended June 30, 2022 increased \$4.6 million, or 1.8%, compared to the prior year period primarily due to business acquisitions and organic growth related to certain of our businesses. Digital Media's net sales of \$493.0 million for the six months ended June 30, 2022 increased \$12.5 million, or 2.6%, compared to the prior year period primarily due to business acquisitions and organic growth related to certain of our businesses.

Digital Media's gross profit of \$233.4 million for the three months ended June 30, 2022 increased \$4.8 million, or 2.1%, compared to the prior year period primarily due to the increase in revenue. Digital Media's gross profit of \$443.2 million for the six months ended June 30, 2022 increased \$8.5 million, or 2.0%, compared to the prior year period primarily due to the increase in revenue.

Digital Media's operating expenses of \$188.8 million for the three months ended June 30, 2022 increased \$4.3 million, or 2.3%, compared to the prior year period. Digital Media's operating expenses of \$366.4 million for the six months ended June 30, 2022 increased \$6.5 million, or 1.8%, compared to the prior year period. The increase in the three and six months ended June 30, 2022 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 and (b) creative and selling costs.

As a result of these factors, Digital Media's operating income of \$44.6 million for the three months ended June 30, 2022 increased \$0.5 million, or 1.2%, compared to the prior year period. Digital Media's operating income of \$76.7 million for the six months ended June 30, 2022 increased \$2.0 million, or 2.7%, compared to the prior year period.

## Cybersecurity and Martech

The financial results are presented as follows (in thousands):

|                          | Three Months Ended June 30, |             | Six Months Ended June 30, |            |
|--------------------------|-----------------------------|-------------|---------------------------|------------|
|                          | 2022                        | 2021        | 2022                      | 2021       |
| Gross sales              | \$ 78,910                   | \$ 87,608   | \$ 159,404                | \$ 172,510 |
| Inter-business net sales | 103                         | (76)        | (18)                      | (76)       |
| Net sales                | 79,013                      | 87,532      | 159,386                   | 172,434    |
| Cost of revenues         | 20,750                      | 23,637      | 41,730                    | 46,680     |
| Gross profit             | 58,263                      | 63,895      | 117,656                   | 125,754    |
| Operating expenses       | 45,686                      | 85,090      | 92,751                    | 135,074    |
| Operating income (loss)  | \$ 12,577                   | \$ (21,195) | \$ 24,905                 | \$ (9,320) |

Cybersecurity and Martech net sales of \$79.0 million for the three months ended June 30, 2022 decreased \$8.5 million, or 9.7%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021, partially offset by business acquisitions. Cybersecurity and Martech net sales of \$159.4 million for the six months ended June 30, 2022 decreased \$13.0 million, or 7.6%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021, partially offset by business acquisitions.

Cybersecurity and Martech gross profit of \$58.3 million for the three months ended June 30, 2022 decreased \$5.6 million, or 8.8%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021, partially offset by business acquisitions. Cybersecurity and Martech gross profit of \$117.7 million for the six months ended June 30, 2022 decreased \$8.1 million, or 6.4%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021, partially offset by business acquisitions.

Cybersecurity and Martech operating expenses of \$45.7 million for the three months ended June 30, 2022 decreased \$39.4 million, or 46.3%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021. Cybersecurity and Martech operating expenses of \$92.8 million for the six months ended June 30, 2022 decreased \$42.3 million, or 31.3%, compared to the prior year period primarily due to the sale of the B2B Backup business during the third quarter of 2021.

As a result of these factors, Cybersecurity and Martech operating income of \$12.6 million for the three months ended June 30, 2022 increased \$33.8 million, or 159.3%, from the prior comparable period. Cybersecurity and Martech operating income of \$24.9 million for the six months ended June 30, 2022 increased \$34.2 million, or 367.2%, from the prior comparable period.

## **Liquidity and Capital Resources**

### ***Cash and Cash Equivalents and Investments***

As of June 30, 2022, we had cash, cash equivalents and investments of \$849.3 million compared to \$1,046.6 million at December 31, 2021. At June 30, 2022, cash, cash equivalents and investments consisted of cash and cash equivalents of \$648.3 million, short-term investments in equity securities of \$72.5 million and long-term investments of \$128.5 million. As of June 30, 2022, cash, cash equivalents and investments held within domestic and foreign jurisdictions were \$730.5 million and \$118.8 million, respectively.

On September 25, 2017, the Company entered into a commitment to invest \$200 million (approximately 76.6% of equity) in the “Fund”. The manager, OCV Management, LLC, and general partner of the Fund are entities with respect to which Richard S. Ressler, former Chairman of the Board of Directors (the “Board”) of the Company, is indirectly the majority equity holder. Mr. Ressler’s tenure with the Board of Directors of the Company ended as of May 10, 2022. As a limited partner in the Fund, prior to the settlement of certain litigation generally related to the Company’s investment in the Fund, in January 2022, the Company paid an annual management fee to the manager equal to 2.0% 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. At the time of the settlement of the litigation, the Company had invested approximately \$128.8 million in the Fund. In connection with the settlement of the litigation, among other terms, no further capital calls will be made in connection with our investment in the Fund, nor will any management fees be paid by the Company to the manager. For more information related to the litigation, see Note 9 – *Commitments and Contingencies* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Part I Item 2 for additional information.

### ***Financings***

On June 10, 2022, we entered into a Fifth Amendment to our Credit Agreement, which provided for the Term Loan Facility, in an aggregate principal amount of \$90.0 million, which had a maturity date that was 60 days following the date of funding of the Term Loan Facility. During the three months ended June 30, 2022, the Company borrowed approximately \$90.0 million under the Term Loan Facility and completed the Debt-for-Equity Exchange of 2,300,000 shares of common stock of



Consensus to settle its obligation to repay the \$90.0 million outstanding aggregate principal amount of the Term Loan Facility plus related interest.

As of June 30, 2022 and December 31, 2021, there were no amounts drawn under the Credit Agreement.

During the six months ended June 30, 2022, the Company repurchased approximately \$76.1 million in aggregate principal amount of the 4.625% Senior Notes for an aggregate purchase price of approximately \$73.6 million.

#### ***Material Cash Requirements***

Our long-term contractual obligations generally include our debt and related interest payments, noncancellable operating leases, holdback amounts in connection with certain business acquisitions, commitments related to the transition tax on unrepatriated foreign earnings, incurred but not paid amounts of self-insurance as well as other commitments. As of June 30, 2022, we and our subsidiaries had outstanding \$1.1 billion in aggregate principal amount of indebtedness, of which we repurchased \$80.0 million during July and August of 2022. As of June 30, 2022, our total minimum lease payments are \$73.2 million, of which approximately \$25.8 million are due in the succeeding twelve months. As of June 30, 2022, our liability for uncertain tax positions was \$43.6 million. There were no material changes to our cash requirements during the three months ended June 30, 2022.

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 Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 include the activity from the cloud fax business, which was separated from the Company on October 7, 2021. Refer to Note 5 – *Discontinued Operations* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Part I Item 2 for additional information. Our primary sources of liquidity are cash flows generated from operations, together with cash and cash equivalents. Net cash provided by operating activities was \$192.5 million and \$290.0 million for the six months ended June 30, 2022 and 2021, 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 decrease in our net cash provided by operating activities during the six months ended June 30, 2022 compared to 2021 period is attributable to lower earnings before non-cash adjustments, primarily as a result of the Separation, the timing and amount of collections from our customers and a decrease in deferred revenue, partially offset by income on our investment in the Fund in 2021. Our cash and cash equivalents were \$648.3 million and \$694.8 million at June 30, 2022 and December 31, 2021, respectively.

Net cash used in investing activities was \$161.3 million and \$152.6 million for the six months ended June 30, 2022 and 2021, respectively. The increase in our net cash used in investing activities during the six months ended June 30, 2022 compared to 2021 period is primarily related to our 2022 business acquisitions and our investment in available for sale securities, partially offset by the purchase of an equity method investment in 2021.

Net cash used in financing activities was \$61.7 million and \$31.6 million for the six months ended June 30, 2022 and 2021, respectively. The increase in the net cash used in financing activities during the six months ended June 30, 2022 compared to 2021 period is primarily related to share repurchases and repurchases of our 4.625% Senior Notes in 2022, partially offset by proceeds from the Term Loan Facility.

#### ***Stock Repurchase Program***

On August 6, 2020, our 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 connection with the authorization, the Company entered into certain Rule 10b5-1 trading plans with a broker-dealer to facilitate the repurchase program.

A summary of share repurchases under the 2020 Program during the three months ended June 30, 2022 is as follows (in millions, except share and per share amounts):

| <b>Total number of shares repurchased</b> | <b>Aggregate purchase price</b> | <b>Average price paid per share</b> | <b>Shares remaining under repurchase authorization as of June 30, 2022</b> |
|-------------------------------------------|---------------------------------|-------------------------------------|----------------------------------------------------------------------------|
| 182,247                                   | \$ 12.7                         | \$ 69.42                            | 6,327,154                                                                  |

Cumulatively at June 30, 2022, 3,672,846 shares were repurchased at an aggregate cost of \$296.9 million (including an immaterial amount of commission fees) under the 2020 Program. These shares were subsequently retired.

### 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. Ziff Davis 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, 2021 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 2022.*

#### 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, 2022, 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, 2022 and December 31, 2021, we had cash and cash equivalent investments primarily in money market funds with maturities of 90 days or less of \$648.3 million and \$694.8 million, respectively. We do not have interest rate risk on our outstanding long-term debt as these arrangements have fixed interest rates.

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.

#### Market Risk

In connection with the Separation, we retained an interest in Consensus, which was valued at approximately \$72.5 million as of June 30, 2022, based upon the quoted market price of Consensus common stock. Our results of operations and financial condition have been and may be materially impacted by increases or decreases in the price of Consensus common stock, which is traded on the Nasdaq Global Select Market. The Company recorded a realized loss of approximately \$48.2 million and an unrealized loss of approximately \$27.3 million on its investment in Consensus during the six months ended June 30, 2022. The carrying value of our investment in Consensus at June 30, 2022 was \$72.5 million, or approximately 2.0% of the Company's consolidated total assets. A \$2.00 increase or decrease in the share price of Consensus common stock would result in an unrealized gain or loss, respectively, of approximately \$3.3 million.

#### Foreign Currency Risk

We conduct business in certain foreign markets, primarily in Canada, the United Kingdom, 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 Canadian Dollar, the British Pound Sterling, Australian Dollar, the Euro, the Japanese Yen, the New Zealand Dollar, and the Norwegian Kroner. If we are unable to settle our 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.

During the three months ended June 30, 2022 and 2021, foreign exchange gains (losses) amounted to \$6.6 million and \$(0.9) million, respectively. During the six months ended June 30, 2022 and 2021, foreign exchange gains (losses) amounted to \$8.8 million and \$(0.4) million, respectively.

Cumulative translation adjustments, net of tax, included in other comprehensive income for the three months ended June 30, 2022 and 2021 were \$(24.3) million and \$3.3 million, respectively, and for the six months ended June 30, 2022 and 2021 were \$(30.5) million and \$(5.2) 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**

##### **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 June 30, 2022, under the supervision and with the participation of Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q due to a material weakness in internal control over financial reporting identified in our 2021 Form 10-K for the year ended December 31, 2021, as described below.

During the year ended December 31, 2021, we determined that we did not design and maintain effective controls over the accounting for certain elements related to the Consensus Cloud Solutions, Inc. (“Consensus”) spin-off resulting in a material weakness. This material weakness is described in more detail in our Annual Report on Form 10-K for the year ended December 31, 2021.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness in internal control over financial reporting described above, management concluded that the Company’s internal control over financial reporting was not effective as of December 31, 2021.

Notwithstanding the conclusion that our disclosure controls and procedures were not effective as of the end of the period covered by this report, we believe that our condensed consolidated financial statements and other information contained in this quarterly report present fairly, in all material respects, our business, financial condition and results of operations for the interim periods presented.

##### ***Remediation Efforts and Status of the Material Weakness***

To remediate the material weakness, our management is in the process of enhancing and revising the design of existing controls and procedures over our accounting for significant unusual transactions. These controls relate to the research, analysis and documentation supporting our management’s evaluations, judgments, and conclusions that are required in order to account for significant unusual transactions. We will enhance our approach to and the execution of the research, analysis, and documentation related to these matters. Our process of consulting third party experts will also be enhanced and we will continue to include outreach to and coordination with experts with the relevant knowledge and experience to assist our management with the evaluation of our accounting for significant unusual transactions.

We believe that these actions will remediate the material weakness. The material weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed no later than December 31, 2022.

##### **Management’s Report on Internal Control over Financial Reporting**

Other than in respect of the remediation activities undertaken in connection with the material weakness described above, 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 quarter ended June 30, 2022 covered by this Quarterly Report on Form 10-Q 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 discussion of legal proceedings in Note 9 – *Commitments and Contingencies* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

### Item 1A. Risk Factors

There has not been material change in our risk factors since filing of our Annual Report on Form 10-K for the year ended December 31, 2021.

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

#### Unregistered Sales of Equity Securities

None.

#### Issuer Purchases of Equity Securities

On August 6, 2020, our 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 connection with the authorization, the Company entered into certain Rule 10b5-1 trading plans with a broker-dealer to facilitate the repurchase program. During the three months ended June 30, 2022, 182,247 shares were repurchased under the 2020 Program. These shares were subsequently retired.

Cumulatively, as of June 30, 2022, 3,672,846 shares were repurchased at an aggregate cost of \$296.9 million (including an immaterial amount of commission fees) under the 2020 Program. These shares were subsequently retired. See Note 11 - *Stockholders' Equity* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

The following table details the repurchases that were made under and outside the 2020 Program during the three months ended June 30, 2022:

| Period                         | Total Number of<br>Shares<br>Purchased <sup>(1)</sup> | Average Price<br>Paid Per Share | Total Number of<br>Shares Purchased as Part<br>of Publicly<br>Announced Plans or<br>Program | Maximum Number of<br>Shares That May Yet Be<br>Purchased Under the<br>Plans or Program <sup>(2)</sup> |
|--------------------------------|-------------------------------------------------------|---------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| April 1, 2022 - April 30, 2022 | 757                                                   | \$ 94.92                        | —                                                                                           | 6,509,401                                                                                             |
| May 1, 2022 - May 31, 2022     | 8,721                                                 | \$ 89.55                        | —                                                                                           | 6,509,401                                                                                             |
| June 1, 2022 - June 30, 2022   | 182,633                                               | \$ 74.94                        | 182,247                                                                                     | 6,327,154                                                                                             |
| Total                          | 192,111                                               |                                 | 182,247                                                                                     | 6,327,154                                                                                             |

(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.

(2) As of the last day of the applicable month.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

None.

## Item 6. Exhibits

| Exhibit No.                 | Description                                                                                                                                                                                                                                                                                   |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="#"><u>3.1</u></a>  | <a href="#"><u>Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of June 10, 2014 (1)</u></a>                                                                                                                                                                    |
| <a href="#"><u>3.2</u></a>  | <a href="#"><u>Amendment to the Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of September 5, 2019 (2)</u></a>                                                                                                                                               |
| <a href="#"><u>3.3</u></a>  | <a href="#"><u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Ziff Davis, Inc. dated as of October 7, 2021 (3)</u></a>                                                                                                                                      |
| <a href="#"><u>3.4</u></a>  | <a href="#"><u>Fifth Amended and Restated By-Laws (4)</u></a>                                                                                                                                                                                                                                 |
| <a href="#"><u>10.1</u></a> | <a href="#"><u>Termination Agreement, dated April 25, 2022, by and between Ziff Davis, Inc. and Orchard Capital Corporation (5)</u></a>                                                                                                                                                       |
| <a href="#"><u>10.2</u></a> | <a href="#"><u>Employment Agreement between Ziff Davis, Inc. and Vivek Shah, effective as of June 13, 2022 (6)</u></a>                                                                                                                                                                        |
| <a href="#"><u>10.3</u></a> | <a href="#"><u>Employment Agreement between Ziff Davis, Inc. and Bret Richter, effective as of June 13, 2022 (6)</u></a>                                                                                                                                                                      |
| <a href="#"><u>10.4</u></a> | <a href="#"><u>Employment Agreement between Ziff Davis, Inc. and Jeremy D. Rossen, effective as of June 13, 2022 (6)</u></a>                                                                                                                                                                  |
| <a href="#"><u>10.5</u></a> | <a href="#"><u>Fifth Amendment to the Credit Agreement, dated as of June 10, 2022, among Ziff Davis, Inc., the Guarantors, the lenders party to Amendment constituting Required Lender and all of the Term Lenders and MUFG UNION BANK, N.A. as administrative agent for the Lenders.</u></a> |
| <a href="#"><u>31.1</u></a> | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                        |
| <a href="#"><u>31.2</u></a> | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                        |
| <a href="#"><u>32.1</u></a> | Certification of Principal Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350                                                                                                                                  |
| <a href="#"><u>32.2</u></a> | Certification of Principal Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350                                                                                                                                  |
| 101.INS                     | Inline XBRL Instance Document*                                                                                                                                                                                                                                                                |
| 101.SCH                     | Inline XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                |
| 101.CAL                     | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                  |
| 101.DEF                     | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                   |
| 101.PRE                     | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                 |
| 101.LAB                     | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                        |
| 104                         | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)                                                                                                                                                                                                      |

\* This instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

- (1) Incorporated by reference to Ziff Davis' Current Report on Form 8-K filed with the Commission on June 10, 2014.
- (2) Incorporated by reference to Ziff Davis' Current Report on Form 8-K filed with the Commission on November 1, 2019.
- (3) Incorporated by reference to Ziff Davis' Current Report on Form 8-K filed with the Commission on October 8, 2021.
- (4) Incorporated by reference to Ziff Davis' Quarterly Report on Form 10-Q filed with the Commission on November 9, 2021.
- (5) Incorporated by reference to Ziff Davis' Current Report on Form 8-K filed with the Commission on April 29, 2022.
- (6) Incorporated by reference to Ziff Davis' Current Report on Form 8-K filed with the Commission on June 13, 2022.

## SIGNATURES

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.

**ZIFF DAVIS, INC.**  
(registrant)

Date: August 9, 2022

By: /s/ VIVEK SHAH  
Vivek Shah  
Chief Executive Officer and a Director  
(Principal Executive Officer)

Date: August 9, 2022

By: /s/ BRET RICHTER  
Bret Richter  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 9, 2022

By: /s/ STEVE P. DUNN  
Steve P. Dunn  
Chief Accounting Officer  
(Principal Accounting Officer)



FIFTH AMENDMENT TO CREDIT AGREEMENT

This FIFTH AMENDMENT TO CREDIT AGREEMENT (this “Amendment”), dated as of June 10, 2022, is entered into among ZIFF DAVIS, INC. (F/K/A J2 GLOBAL, INC.), a Delaware corporation (the “Borrower”), the Guarantors, the lenders party to this Amendment constituting Required Lenders and all of the Term Loan Lenders (as defined below) and MUFG UNION BANK, N.A. (“MUB”), as administrative agent for the Lenders (in such capacity, the “Agent”).

RECITALS

WHEREAS, the Borrower, the Lenders and the Agent are party to that certain Credit Agreement dated as of April 7, 2021 (as amended, restated, amended and restated, modified or supplemented from time to time, the “Credit Agreement”; capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement), pursuant to which the Lenders party thereto made available to the Borrower various credit facilities as described therein;

WHEREAS, Section 9.1 of the Credit Agreement permits certain amendments of the Credit Agreement and the other Loan Documents with the consent of the Required Lenders;

WHEREAS, the Borrower, the Guarantors, the Lenders party hereto which constitute the Required Lenders and the Agent are entering into this Amendment in order to (i) allow the Borrower to incur a senior secured term loan under the Credit Agreement in an aggregate principal amount of \$89,991,340, which senior secured term loan will mature 60 days from the Term Loan Funding Date (as defined in the Amended Credit Agreement (as defined below)), or such later date as permitted by the Amended Credit Agreement (such secured term loan, the “Term Loan Facility”) and (ii) make other amendments in order to effectuate the foregoing (the Credit Agreement as so amended pursuant to Section 2 below, the “Amended Credit Agreement”); and

WHEREAS, the financial institutions party hereto as the “Term Loan Lenders” have each agreed to provide the Borrower with that portion of the Term Loan Facility set forth next to such Term Loan Lender’s name on Exhibit B to this Amendment, in each case on the terms and subject to the conditions set forth in the Amended Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Incorporation by Reference. The parties acknowledge the accuracy of the foregoing Recitals which are incorporated by reference herein and are made a part of this Amendment.

SECTION 2. Amendments to Credit Agreement.

(a) Effective as of the Fifth Amendment Effective Date (as defined below), the Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the underlined text (indicated textually in the same manner as the following example: underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit A hereto.

(b) Effective as of the Fifth Amendment Effective Date, Schedule A to the Credit Agreement is hereby replaced in its entirety with the schedule attached as Exhibit B hereto.

(c) Effective as of the Fifth Amendment Effective Date, Exhibits A-3, C and E to the Credit Agreement are hereby replaced in their entirety with the exhibits attached as Exhibit C hereto.

SECTION 3. Conditions Precedent to Effectiveness. This Amendment shall become effective (the "Fifth Amendment Effective Date") upon satisfaction of the following conditions, in each case, in form and substance satisfactory to the Agent:

- (a) Receipt by the Agent of this Amendment, duly executed by the Borrower, the Guarantors, the Lenders constituting Required Lenders, the Term Loan Lenders and the Agent;
- (b) Receipt by the Agent of resolutions of the board of directors (or similar governing body) of each Loan Party authorizing (i) this Amendment and (ii) in the case of the Borrower, the borrowings contemplated hereunder, in each case certified by a Responsible Officer of such Loan Party as of the Fifth Amendment Effective Date, which certificate states that the resolutions thereby certified have not been amended, modified, revoked or rescinded and are in full force and effect;
- (c) (x) The representations and warranties set forth in Section 5 hereof shall be true and correct as of the Fifth Amendment Effective Date and (y) the Agent (or its counsel) shall have received a certificate of a Responsible Officer of the Borrower, dated the Fifth Amendment Effective Date, certifying compliance with the foregoing clause (x);
- (d) The Agent shall have received a legal opinion of Sullivan & Cromwell LLP, counsel to the Borrower, in form and substance reasonably satisfactory to the Agent, executed and dated as of the Fifth Amendment Effective Date; and
- (e) The Agent shall have received, with respect to each Loan Party, a certificate dated a recent date, of the Secretary of State (or other relevant state authority) of the state of formation of such Loan Party, certifying as to the existence and, if applicable, good standing of, and, if generally available in such jurisdiction, the payment of taxes by, such Loan Party in such state.

Without limiting the generality of the provisions of Section 8.3 of the Credit Agreement, for purposes of determining compliance with the conditions specified in this Section 3 or otherwise, each Lender that has signed this Amendment shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Fifth Amendment Effective Date specifying its objection thereto.

SECTION 4. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

- (a) Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Amended Credit Agreement.
- (b) The Credit Agreement and all other Loan Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The parties hereto acknowledge and agree that the amendment of the Credit Agreement pursuant to this Amendment and any exhibits thereto amended hereby shall not constitute a novation of the Credit Agreement or any other Loan Document as in effect prior to the date hereof.
- (c) The execution, delivery and effectiveness of this Amendment shall not operate (i) as a waiver of any right, power or remedy of the Agent or the Lenders under the Credit Agreement or any other Loan Documents, nor constitute a waiver of any provision of the Credit Agreement or any other Loan Documents, (ii) to prejudice any right or rights which the Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or modified from time to time, (iii) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Borrower or any of its

Subsidiaries or any other Person with respect to any other waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the Lenders or the Agent, or any of them, under or with respect to any such documents or (iv) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of any other agreement by and among the Loan Parties, on the one hand, and the Agent or any other Lender, on the other hand.

**SECTION 5. Representations and Warranties.** Each Loan Party represents and warrants, for the benefit of the Lenders and the Agent, as follows: (i) such Loan Party has the corporate power and authority, to execute and deliver this Amendment, and to perform this Amendment and the Amended Credit Agreement; (ii) all actions, waivers and consents (corporate, regulatory and otherwise) necessary or appropriate for it to execute, deliver and perform this Amendment and the Amended Credit Agreement have been taken and/or received; (iii) each of this Amendment and the Amended Credit Agreement constitutes a legal, valid and binding obligation of each of the Loan Parties (to the extent such Loan Party is a party thereto) enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law); (iv) the execution, delivery and performance of this Amendment and the Amended Credit Agreement will not (a) violate any Requirement of Law applicable to any of the Loan Parties or material Contractual Obligation of any of the Loan Parties, and (b) other than in the case of the Term Loan Facility, will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to any such Requirement of Law or such material Contractual Obligation, in each case in clauses (a) and (b), except as would not reasonably be expected to have a Material Adverse Effect; (v) the representations and warranties contained in this Amendment, the Amended Credit Agreement, each other Loan Document and each certificate or other writing delivered by the Borrower and any Subsidiary to the Agent in connection herewith or therewith are correct on and as of date hereof in all material respects (except for those representations and warranties that are conditioned by materiality or reference to Material Adverse Effect, which shall be true and correct in all respects) as though made on the date hereof except (i) to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be so true and correct as of such earlier date and (ii) the representations and warranties made under Section 3.1 of the Credit Agreement shall be deemed to refer to the most recent financial statements of the Borrower furnished to the Agent pursuant to Section 5.1 of the Credit Agreement; and (vi) after giving effect to this Amendment and any borrowings made on the Fifth Amendment Effective Date, no Default or Event of Default has occurred and is continuing.

**SECTION 6. Reaffirmation.** Each Loan Party hereby expressly acknowledges the terms of this Amendment and reaffirms, as of the Fifth Amendment Effective Date, and after giving effect to this Amendment, (i) the covenants, guarantees, pledges, grants of Liens and agreements or other commitments contained in each Loan Document to which it is a party, including, in each case, such covenants, guarantees, pledges, grants of Liens and agreements or other commitments as in effect immediately after giving effect to this Amendment and the transactions contemplated hereby, (ii) its guarantee of the Secured Obligations under each Guarantee, as applicable, (iii) its grant and the validity of Liens granted by it on the Collateral to secure the Secured Obligations pursuant to the Security Documents. Each Loan Party hereby agrees that after giving effect to this Amendment (A) each Loan Document to which it is a party shall continue to be in full force and effect and (B) all guarantees, pledges, grants of Liens, covenants, agreements and other commitments by such Loan Party under the Loan Documents shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties and shall not be affected, impaired or discharged hereby or by the transactions contemplated in this Amendment.

**SECTION 7. Execution in Counterparts.** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment electronically shall be effective as delivery of a manually executed counterpart of this Amendment. The words "execute," "execution," "signed," "signature," "delivery" and words of like import in or related to this Amendment or any document, amendment, approval, consent, waiver, modification, information, notice, certificate, report, statement, disclosure, or authorization to be signed or delivered in connection with this Amendment or the transactions contemplated hereby shall be deemed to include Electronic

Signatures or execution in the form of an Electronic Record, and contract formations on electronic platforms approved by the Agent, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Each party hereto agrees that any Electronic Signature or execution in the form of an Electronic Record shall be valid and binding on itself and each of the other parties hereto to the same extent as a manual, original signature. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the parties of a manually signed paper which has been converted into electronic form (such as scanned into PDF format), or an electronically signed paper converted into another format, for transmission, delivery and/or retention. Notwithstanding anything contained herein to the contrary, the Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Agent pursuant to procedures approved by it; provided that without limiting the foregoing, (i) to the extent the Agent has agreed to accept such Electronic Signature from any party hereto, the Agent and the other parties hereto shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of the executing party without further verification and (ii) upon the request of the Agent or any Lender, any Electronic Signature shall be promptly followed by an original manually executed counterpart thereof. Without limiting the generality of the foregoing, each party hereto hereby (x) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Agent, the Collateral Agent, the Issuing Bank, the Lenders and any of the Loan Parties, electronic images of this Amendment (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (y) waives any argument, defense or right to contest the validity or enforceability of this Amendment based solely on the lack of paper original copies of this Amendment, including with respect to any signature pages thereto.

SECTION 8. Governing Law. This Amendment and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Amendment and the transactions contemplated hereby shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 9. Entire Agreement. This Amendment is the entire agreement, and supersedes any prior agreements and contemporaneous oral agreements, of the parties concerning its subject matter. This Amendment is a Loan Document and is subject to the terms and conditions of the Amended Credit Agreement.

SECTION 10. Successors and Assigns. This Amendment shall be binding on and inure to the benefit of the parties and their heirs, beneficiaries, successors and permitted assigns.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

**ZIFF DAVIS, INC.,**

a Delaware corporation

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**J2 GLOBAL VENTURES, LLC,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**BABYCENTER, L.L.C.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**EKAHAU INC.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**EVERYDAY HEALTH MEDIA, LLC,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**EVERYDAY HEALTH INC.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen  
Executive Vice President, General Counsel and  
Title: Secretary

**HUMBLE BUNDLE, INC.,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**IGN ENTERTAINMENT, INC.,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**J2 WEB SERVICES, INC.,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**MUDHOOK MARKETING, INC.,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**NETPROTECT, INC.,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**OFFERS.COM, LLC,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**OOKLA, LLC,**

By: /s/ Jeremy Rossen  
Name: Jeremy Rossen  
Title: Executive Vice President, General Counsel and Secretary

**PRIME EDUCATION, LLC,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen

Title: Executive Vice President, General Counsel and Secretary

**RETAILMENOT, INC.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen

Title: Executive Vice President, General Counsel and Secretary

**SPICEWORKS, INC.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen

Title: Executive Vice President, General Counsel and Secretary

**THREATTRACK SECURITY, INC.,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen

Title: Executive Vice President, General Counsel and Secretary

**ZIFF DAVIS, LLC,**

By: /s/ Jeremy Rossen

Name: Jeremy Rossen

Title: Executive Vice President, General Counsel and Secretary

**MUFG UNION BANK, N.A.,** as Agent, Collateral

Agent and Lender

By: /s/ Gina M. West

Name: Gina M. West

Title: Director

**J.P. MORGAN SECURITIES LLC,** as Term Loan

Lender

By: /s/ Alex Smigelski

Name: Alex Smigelski

Title: Executive Director

**CITICORP NORTH AMERICA,** as Term Loan

Lender

By: /s/ Richard Zogheb

Name: Richard Zogheb

Title: Managing Director

[Signature Page to Fifth Amendment to Credit Agreement]

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EXHIBIT A

Amended Credit Agreement

[see attached]

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EXHIBIT B

Schedule A

Revolving Loan Commitments

| Lender                | Revolving Loan Commitment |
|-----------------------|---------------------------|
| MUFG UNION BANK, N.A. | \$100,000,000             |

Term Loan Facility Commitment

| Lender                       | Term Loan Facility Commitment |
|------------------------------|-------------------------------|
| J.P. MORGAN SECURITIES LLC   | \$71,993,072                  |
| CITICORP NORTH AMERICA, INC. | \$17,998,268                  |

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EXHIBIT C

Exhibits A-3, C and E to the Credit Agreement

**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 Ziff Davis, 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, 2022

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

I, Bret Richter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ziff Davis, 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/ BRET RICHTER

Bret Richter

Chief Financial Officer  
(Principal Financial Officer)

Dated: August 9, 2022

**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, 2022 (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 Ziff Davis, Inc.

/s/ VIVEK SHAH

Vivek Shah

Chief Executive Officer and a Director  
(Principal Executive Officer)

Dated: August 9, 2022

*A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to Ziff Davis, Inc. and will be retained by Ziff Davis, 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, Bret Richter, 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, 2022 (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 Ziff Davis, Inc.

/s/ BRET RICHTER

Bret Richter  
Chief Financial Officer  
(Principal Financial Officer)

Dated: August 9, 2022

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