

Ziff Davis Reports First Quarter 2024 Financial Results and Reaffirms 2024 Guidance

NEW YORK, NY -- Ziff Davis, Inc. (NASDAQ: ZD) ("Ziff Davis" or "the Company") today reported unaudited financial results for the first quarter ended March 31, 2024.

"Our first quarter financial results are some of the Company's strongest since the second quarter of 2022," said Vivek Shah, Chief Executive Officer of Ziff Davis. "We are particularly pleased with the growth in our subscription and licensing revenues, as we continue to pursue a balanced business model."

FIRST QUARTER 2024 RESULTS

- Q1 2024 quarterly revenues increased 2.4% to \$314.5 million compared to \$307.1 million for Q1 2023.
- Income from operations increased 36.3% to \$35.9 million compared to \$26.3 million for Q1 2023.
- Net income (loss) ⁽¹⁾ increased to \$10.6 million compared to \$(7.6) million for Q1 2023.
- Net income (loss) per diluted share ⁽¹⁾ increased to \$0.23 in Q1 2024 compared to \$(0.16) for Q1 2023.
- Adjusted EBITDA ⁽²⁾ for the quarter increased 6.8% to \$100.8 million compared to \$94.3 million for Q1 2023.
- Adjusted net income ⁽²⁾ increased 13.0% to \$58.5 million compared to \$51.7 million for Q1 2023.
- Adjusted net income per diluted share ⁽¹⁾⁽²⁾ (or "Adjusted diluted EPS") for the quarter increased 15.5% to \$1.27 compared to \$1.10 for Q1 2023.
- Net cash provided by operating activities was \$75.6 million in Q1 2024 compared to \$115.3 million in Q1 2023. Free cash flow ⁽²⁾ was \$47.4 million in Q1 2024 compared to \$85.3 million in Q1 2023.
- Ziff Davis ended the quarter with approximately \$891.1 million in cash, cash equivalents, and investments after deploying approximately \$46.9 million during the quarter for current and prior year acquisitions.

The following table reflects results for the three months ended March 31, 2024 and 2023, respectively (in millions, except per share amounts).

(Unaudited)	Three months ended March 31,		% Change
	2024	2023	
Revenues			
Digital Media	\$239.0	\$234.1	2.1%
Cybersecurity and Martech	\$75.5	\$73.0	3.3%
Total revenues ⁽³⁾	\$314.5	\$307.1	2.4%
Income from operations	\$35.9	\$26.3	36.3%
Operating income margin	11.4%	8.6%	2.8%
Net income (loss) ⁽¹⁾	\$10.6	\$(7.6)	239.3%
Net income (loss) per diluted share ⁽¹⁾	\$0.23	\$(0.16)	243.8%
Adjusted EBITDA ⁽²⁾	\$100.8	\$94.3	6.8%
Adjusted EBITDA margin ⁽²⁾	32.0%	30.7%	1.3%
Adjusted net income ⁽¹⁾⁽²⁾	\$58.5	\$51.7	13.0%
Adjusted diluted EPS ⁽¹⁾⁽²⁾	\$1.27	\$1.10	15.5%
Net cash provided by operating activities	\$75.6	\$115.3	(34.5)%
Free cash flow ⁽²⁾	\$47.4	\$85.3	(44.4)%

Notes:

- (1) GAAP effective tax rates were approximately 42.2% and (65.6)% for the three months ended March 31, 2024 and 2023, respectively. Adjusted effective tax rates were approximately 23.9% and 23.8% for the three months ended March 31, 2024 and 2023, respectively.
- (2) For definitions of non-GAAP financial measures and reconciliations of GAAP to non-GAAP financial measures refer to section "Non-GAAP Financial Measures" further in this report.
- (3) The revenues associated with each of the businesses may not foot precisely since each is presented independently.

ZIFF DAVIS GUIDANCE

The Company reaffirms its guidance for fiscal year 2024 outlook as follows (in millions, except per share data):

	2024 Range of Estimates	
	Low	High
Revenue	\$ 1,411.0	\$ 1,471.0
Adjusted EBITDA	\$ 500.0	\$ 521.0
Adjusted diluted EPS*	\$ 6.43	\$ 6.77

* Adjusted diluted EPS for 2024 excludes amortization of acquired intangibles and the impact of any currently unanticipated items, in each case net of tax. It is anticipated that the Adjusted effective tax rate for 2024 will be between 23.25% and 25.25%.

A reconciliation of forward-looking Adjusted EBITDA and Adjusted diluted EPS to the corresponding GAAP guidance financial measures is not available without unreasonable effort due, primarily, to variability and difficulty in making accurate forecasts and projections of non-operating matters that may arise in the future.

Earnings Conference Call and Audio Webcast

Ziff Davis will host a live audio webcast and conference call discussing its first quarter 2024 financial results on Thursday, May 9, 2024, at 8:30AM ET. The live webcast and call will be accessible by phone by dialing (844) 985-2014 or via www.ziffdavis.com. Following the event, the audio recording and presentation materials will be archived and made available at www.ziffdavis.com.

About Ziff Davis

Ziff Davis, Inc. (NASDAQ: ZD) is a vertically focused digital media and internet company whose portfolio includes leading brands in technology, shopping, gaming and entertainment, connectivity, health and wellness, cybersecurity, and martech. For more information, visit www.ziffdavis.com.

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“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995: Certain statements in this Press Release are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995, including those contained in Vivek Shah’s quote, the “Ziff Davis Guidance” section regarding the Company’s expected fiscal 2024 financial performance, and our discussion of net cash provided by operating activities and free cash flow. These forward-looking statements are based on management’s current expectations or beliefs and are subject to numerous assumptions, risks, and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors and uncertainties include, among other items: the Company’s ability to grow advertising, licensing, and subscription revenues, profitability, and cash flows, particularly in light of an uncertain U.S. or worldwide economy, including the possibility of economic downturn or recession; the Company’s ability to make interest and debt payments; the Company’s ability to identify, close, and successfully transition acquisitions; customer growth and retention; the Company’s ability to create compelling content; our reliance on third-party platforms; the threat of content piracy and developments related to artificial intelligence; increased competition and rapid technological changes; variability of the Company’s revenue based on changing conditions in particular industries and the economy generally; protection of the Company’s proprietary technology or infringement by the Company of intellectual property of others; the risk of losing critical third-party vendors or key personnel; the risks associated with fraudulent activity, system failure, or a security breach; risks related to our ability to adhere to our internal controls and procedures; the risk of adverse changes in the U.S. or international regulatory environments, including but not limited to the imposition or increase of taxes or regulatory-related fees; the risks related to supply chain disruptions, inflationary conditions, and rising interest rates; the risk of liability for legal and other claims; and the numerous other factors set forth in Ziff Davis’ filings with the Securities and Exchange Commission (“SEC”). For a more detailed description of the risk factors and uncertainties affecting Ziff Davis, refer to our most recent Annual Report on Form 10-K and the other reports filed by Ziff Davis from time-to-time with the SEC, each of which is available at www.sec.gov. The forward-looking statements provided in this press release, including those contained in Vivek Shah’s quote, in the “Ziff Davis Guidance” portion regarding the Company’s expected fiscal 2024 financial performance, and our discussion of net cash provided by operating activities and free cash flows are based on limited information available to the Company at this time, which is subject to change. Although management’s expectations may change after the date of this Press Release, the Company undertakes no obligation to revise or update these statements.

ZIFF DAVIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

	March 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 734,779	\$ 737,612
Short-term investments	16,404	27,109
Accounts receivable, net of allowances of \$6,484 and \$6,871, respectively	446,883	337,703
Prepaid expenses and other current assets	95,036	88,570
Total current assets	1,293,102	1,190,994
Long-term investments	139,964	140,906
Property and equipment, net of accumulated depreciation of \$346,793 and \$327,015, respectively	190,897	188,169
Intangible assets, net	400,562	325,406
Goodwill	1,624,628	1,546,065
Deferred income taxes	8,733	8,731
Other assets	69,145	70,751
TOTAL ASSETS	\$ 3,727,031	\$ 3,471,022
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 360,153	\$ 123,256
Accrued employee related costs	26,262	50,068
Other accrued liabilities	44,012	43,612
Income taxes payable, current	18,019	14,458
Deferred revenue, current	199,880	184,549
Other current liabilities	15,008	15,890
Total current liabilities	663,334	431,833
Long-term debt	1,001,884	1,001,312
Deferred income taxes	65,261	45,503
Income taxes payable, noncurrent	8,486	8,486
Deferred revenue, noncurrent	7,172	8,169
Other long-term liabilities	78,882	82,721
TOTAL LIABILITIES	1,825,019	1,578,024
Common stock	461	461
Additional paid-in capital	475,926	472,201
Retained earnings	1,503,838	1,491,956
Accumulated other comprehensive loss	(78,213)	(71,620)
TOTAL STOCKHOLDERS' EQUITY	1,902,012	1,892,998
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,727,031	\$ 3,471,022

ZIFF DAVIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	Three months ended March 31,	
	2024	2023
Total revenues	\$ 314,485	\$ 307,142
Operating costs and expenses:		
Direct costs	47,067	45,730
Sales and marketing	117,000	115,920
Research, development, and engineering	17,774	17,914
General, administrative, and other related costs	96,783	101,263
Total operating costs and expenses	278,624	280,827
Income from operations	35,861	26,315
Interest expense, net	(1,769)	(4,480)
Loss on sale of businesses	(3,780)	—
Unrealized loss on short-term investments held at the reporting date, net	(10,705)	(20,345)
Gain on investments, net	—	357
Other loss, net	(104)	(908)
Income before income tax (expense) benefit and loss from equity method investment	19,503	939
Income tax (expense) benefit	(8,231)	616
Loss from equity method investment, net of income taxes	(645)	(9,182)
Net income (loss)	\$ 10,627	\$ (7,627)
Net income (loss) per common share:		
Basic	\$ 0.23	\$ (0.16)
Diluted	\$ 0.23	\$ (0.16)
Weighted average shares outstanding:		
Basic	45,860,033	46,987,249
Diluted	45,955,365	46,987,249

ZIFF DAVIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN THOUSANDS)

	Three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 10,627	\$ (7,627)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	48,453	54,623
Non-cash operating lease costs	2,770	2,933
Share-based compensation	8,872	8,402
Provision for credit losses on accounts receivable	50	441
Deferred income taxes, net	(2,709)	(7,442)
Loss on sale of businesses	3,780	—
Loss from equity method investments	645	9,182
Unrealized loss on short-term investments held at the reporting date, net	10,705	20,345
Gain on investment, net	—	(357)
Other	1,278	2,776
Decrease (increase) in:		
Accounts receivable	55,365	27,626
Prepaid expenses and other current assets	(9,423)	(7,658)
Other assets	(2,078)	(2,048)
Increase (decrease) in:		
Accounts payable	(62,270)	6,922
Deferred revenue	15,169	12,085
Accrued liabilities and other current liabilities	(5,676)	(4,896)
Net cash provided by operating activities	75,558	115,307
Cash flows from investing activities:		
Purchases of property and equipment	(28,129)	(30,017)
Acquisition of businesses, net of cash received	(44,524)	(8,001)
Proceeds from sale of equity investments	—	3,174
Proceeds on sale of business, net of cash divested	1,238	—
Other	(66)	(3,947)
Net cash used in investing activities	(71,481)	(38,791)
Cash flows from financing activities:		
Repurchase of common stock	(3,923)	(2,875)
Deferred payments for acquisitions	(2,418)	(6,679)
Other	30	71
Net cash used in financing activities	(6,311)	(9,483)
Effect of exchange rate changes on cash and cash equivalents	(599)	1,676
Net change in cash and cash equivalents	(2,833)	68,709
Cash and cash equivalents at beginning of year	737,612	652,793
Cash and cash equivalents at end of year	\$ 734,779	\$ 721,502

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measures: Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income (loss), Adjusted net income (loss) per diluted share, Free cash flow, and Adjusted effective tax rate (collectively the "non-GAAP financial measures"). 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 GAAP.

We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain items that may not be indicative of our recurring core business operating results or, in certain cases, may be non-cash in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by the analyst community to help them analyze the health of our business.

These non-GAAP financial measures are not measures presented in accordance with GAAP, and our use of these terms may vary from that of other companies, limiting their usefulness for comparison purposes. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. These non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

Non-GAAP financial measures exclude the certain items listed below. We believe that excluding these items from the non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which exclude similar items. We believe that non-GAAP financial measures provide meaningful supplemental information regarding operational performance. We further believe these measures are useful to investors in that they allow for greater transparency of certain line items in the Company's financial statements.

Adjusted EBITDA is defined as Net income (loss) with adjustments to reflect the addition or elimination of certain items including:

- Interest expense, net. Interest expense is generated primarily from interest due on outstanding debt, partially offset by interest income generated from the interest earned on cash, cash equivalents, and investments;
- (Gain) loss on debt extinguishment, net. This is a non-cash expense that relates to extinguishments of long-term debt obligations. We believe this (gain) loss does not represent recurring core business operating results of the Company;
- (Gain) loss on sale of business. This gain or loss relates to the sales of businesses and does not represent recurring core business operating results of the Company;
- Unrealized (gain) loss on short-term investments held at the reporting date, net. This is a non-cash item as it relates to the change in the carrying value of our investment in Consensus depending on the share price of Consensus common stock and does not represent core business operating results of the Company;
- (Gain) loss on investments, net. This item relates to the disposition of a portion of our investment in Consensus. The amount of gain or loss depends on the share price of Consensus common stock and does not represent core business operating results of the Company;
- Other (income) loss, net. This income or expense relates to other non-operating items and does not represent recurring core business operating results of the Company;
- Income tax (benefit) expense. This benefit or expense depends on the pre-tax loss or income of the Company, statutory tax rates, tax regulations, and different tax rates in various jurisdictions in which the Company operates and which the Company does not have the control over;
- (Income) loss from equity method investments, net. This is a non-cash expense as it relates to our investment in OCV Fund I, LP (the "Fund"). We believe that gain or loss resulting from our equity method investment does not represent core business operating results of the Company;
- Depreciation and amortization. This is a non-cash expense as it relates to use and associated reduction in value of certain assets including equipment, fixtures, and certain capitalized internal-used software and website development costs, and identifiable definite-lived intangible assets of the acquired businesses. This also includes the reduction in value of certain acquired intangible assets that represent the cost incurred by the acquiree to build value prior to the acquisition and the amortization of this cost does not represent core business operating results of the Company;
- Share-based compensation. This is a non-cash expense as it relates to awards granted under the various share-based incentive plans of the Company. We view the economic cost of share-based awards to be the dilution to our share base;

- Acquisition, integration, and other costs. Includes adjustments to contingent consideration, lease terminations, retention bonuses, other acquisition-specific items, and other costs, such as severance and legal settlements. These expenses do not represent core business operating results of the Company;
- Disposal related costs. These are expenses associated with the disposal of certain businesses that do not represent core business operating results of the Company;
- Lease asset impairments and other charges. These expenses are incurred in connection with impaired right-of-use (“ROU”) assets of the Company. Associated expenses are comprised of insurance, utility, and other charges related to assets that are no longer in use, and partially offset by the sublease income earned. These expenses do not represent core business operating results of the Company; and
- Goodwill impairment on business. This is a non-cash expense that is recorded when the carrying value of the reporting unit exceeds its fair value and does not represent core business operating results of the Company.

Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by Total revenues.

Adjusted net income (loss) is defined as Net income (loss) with adjustments to reflect the addition or elimination of certain statement of operations items including, but not limited to:

- Interest, net. This reflects the difference between the imputed and coupon interest expense associated with the 4.625% Senior Notes and a charge that the Company determined to be penalty interest associated with the 1.75% Convertible Notes in each period presented, offset in part by a certain interest income earned by the Company. These net expenses do not represent core business operating results of the Company;
- (Gain) loss on debt extinguishment, net. This is a non-cash expense that relates to extinguishments of long-term debt obligations. We believe this gain or loss does not represent recurring core business operating results of the Company;
- (Gain) loss on sale of business. This gain or loss relates to the sales of businesses and does not represent recurring core business operating results of the Company;
- Unrealized (gain) loss on short-term investments held at the reporting date, net. This is a non-cash item as it relates to the change in the carrying value of our investment in Consensus depending on the share price of Consensus common stock and does not represent core business operating results of the Company;
- (Gain) loss on investments, net. This item relates to the disposition of a portion of our investment in Consensus. The amount of gain or loss depends on the share price of Consensus common stock and does not represent core business operating results of the Company;
- (Income) loss from equity method investments, net. This is a non-cash income or expense as it relates to our investment in the OCV Fund. We believe that gains or losses resulting from our equity method investment do not represent core business operating results of the Company;
- Amortization. Includes the amortization of patents and intangible assets that we acquired. This is a non-cash expense as it primarily relates to identifiable definite-lived intangible assets of the acquired businesses. We believe that acquired intangible assets represent cost incurred by the acquiree to build value prior to the acquisition and the amortization of this cost does not represent core business operating results of the Company;
- Share-based compensation. This is a non-cash expense as it relates to awards granted under the various incentive plans of the Company. We view the economic cost of share-based awards to be the dilution to our share base;
- Acquisition, integration and other costs. Includes adjustments to contingent consideration, lease terminations, retention bonuses, other acquisition-specific items, and other costs, such as severance and legal settlements. These expenses do not represent core business operating results of the Company;
- Disposal related costs. These are expenses associated with the disposal of certain businesses that do not represent core business operating results of the Company;
- Lease asset impairments and other charges. These expenses are incurred in connection with impaired ROU assets of the Company. Associated expenses comprised of insurance, utility, and other charges related to assets that are no longer in use, and partially offset by the sublease income earned. These expenses do not represent core business operating results of the Company; and
- Goodwill impairment on business. This is a non-cash expense that is recorded when the carrying value of the reporting unit exceeds its fair value and does not represent core business operating results of the Company.

Adjusted net income (loss) per diluted share is calculated by dividing Adjusted net income (loss) by the diluted weighted average shares of common stock outstanding that excludes the effect of convertible debt dilution.

Free cash flow is defined as Net cash provided by operating activities, less purchases of property and equipment, plus changes in contingent consideration (if any).

Adjusted effective tax rate is calculated based upon the GAAP effective tax rate with adjustments for the tax applicable to non-GAAP adjustments to Net income (loss), generally based upon the effective marginal tax rate of each adjustment.

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS)

The following table sets forth a reconciliation of Net income (loss) to Adjusted EBITDA:

	Three months ended March 31,	
	2024	2023
Net income (loss)	\$ 10,627	\$ (7,627)
Interest expense, net	1,769	4,480
Loss on sale of businesses	3,780	—
Unrealized loss on short-term investments held at the reporting date, net	10,705	20,345
Gain on investments, net	—	(357)
Other loss, net	104	908
Income tax expense (benefit)	8,231	(616)
Loss from equity method investments, net	645	9,182
Depreciation and amortization	48,453	54,623
Share-based compensation	8,872	8,402
Acquisition, integration, and other costs	6,266	3,525
Disposal related costs	496	149
Lease asset impairments and other charges	803	1,319
Adjusted EBITDA	\$ 100,751	\$ 94,333

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS)

The following table sets forth Revenues and a reconciliation of Income (loss) from operations to Adjusted EBITDA by segment:

Three months ended March 31, 2024				
	Digital Media	Cybersecurity and Martech	Corporate	Total
Revenues	\$ 239,033	\$ 75,452	\$ —	\$ 314,485
Income (loss) from operations	\$ 31,586	\$ 19,428	\$ (15,153)	\$ 35,861
Depreciation and amortization	40,707	7,740	6	48,453
Share-based compensation	3,364	1,134	4,374	8,872
Acquisition, integration, and other costs	4,718	864	684	6,266
Disposal related costs	366	—	130	496
Lease asset impairments and other charges	326	477	—	803
Adjusted EBITDA	\$ 81,067	\$ 29,643	\$ (9,959)	\$ 100,751

Three months ended March 31, 2023				
	Digital Media	Cybersecurity and Martech	Corporate	Total
Revenues	\$ 234,126	\$ 73,016	\$ —	\$ 307,142
Income (loss) from operations	\$ 28,384	\$ 11,688	\$ (13,757)	\$ 26,315
Depreciation and amortization	42,986	11,630	7	54,623
Share-based compensation	3,370	1,572	3,460	8,402
Acquisition, integration, and other costs	3,299	91	135	3,525
Disposal related costs	—	—	149	149
Lease asset impairments and other charges	1,214	105	—	1,319
Adjusted EBITDA	\$ 79,253	\$ 25,086	\$ (10,006)	\$ 94,333

Figures above are net of intercompany costs and revenues.

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table set forth a reconciliation of Net income (loss) to Adjusted net income with adjustments presented on after-tax basis:

	Three months ended March 31,			
	2024	Per diluted share*	2023	Per diluted share*
Net income (loss)	\$ 10,627	\$ 0.23	\$ (7,627)	\$ (0.16)
Interest, net	(5)	—	56	—
Loss on sale of business	3,780	0.08	—	—
Unrealized loss on short-term investments held at the reporting date, net	9,668	0.21	15,265	0.32
Gain on investments, net	—	—	(268)	(0.01)
Loss from equity method investments, net	645	0.01	9,182	0.20
Amortization	20,085	0.44	24,622	0.52
Share-based compensation	7,786	0.17	6,817	0.15
Acquisition, integration, and other costs	4,871	0.11	2,577	0.06
Disposal related costs	372	0.01	112	—
Lease asset impairments and other charges	643	0.01	990	0.02
Adjusted net income	\$ 58,472	\$ 1.27	\$ 51,726	\$ 1.10

* The reconciliation of Net income per diluted share to Adjusted net income per diluted share may not foot since each is calculated independently.

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS)

The following are the adjustments to certain statement of operations items used to derive Adjusted net income, which we believe provide useful information about our operating results and enhance the overall understanding of past financial performance and future prospects of the Company.

Three months ended March 31, 2024												
	Adjustments											
	GAAP amount	Interest, net	(Gain) loss on sale of business	Unrealized (gain) loss on short-term investments held at the reporting date, net	(Income) loss from equity method investments, net	Amortization	Share-based compensation	Acquisition, integration, and other costs	Disposal related costs	Lease asset impairments and other charges	Adjusted non-GAAP amount	
Direct costs	\$ (47,067)	\$ —	\$ —	\$ —	\$ —	\$ 105	\$ 61	\$ 170	\$ —	\$ —	\$	(46,731)
Sales and marketing	\$ (117,000)	—	—	—	—	—	758	541	—	—	\$	(115,701)
Research, development, and engineering	\$ (17,774)	—	—	—	—	—	1,090	223	40	—	\$	(16,421)
General, administrative, and other related costs	\$ (96,783)	—	—	—	—	26,319	6,963	5,332	456	803	\$	(56,910)
Interest expense, net	\$ (1,769)	(7)	—	—	—	—	—	—	—	—	\$	(1,776)
Loss on sale of business	\$ (3,780)	—	3,780	—	—	—	—	—	—	—	\$	—
Unrealized loss on short-term investments held at period end, net	\$ (10,705)	—	—	10,705	—	—	—	—	—	—	\$	—
Income tax expense ⁽¹⁾	\$ (8,231)	2	—	(1,037)	—	(6,339)	(1,086)	(1,395)	(124)	(160)	\$	(18,370)
Loss from equity method investment, net	\$ (645)	—	—	—	645	—	—	—	—	—	\$	—
Total non-GAAP adjustments		\$ (5)	\$ 3,780	\$ 9,668	\$ 645	\$ 20,085	\$ 7,786	\$ 4,871	\$ 372	\$ 643		

(1) Adjusted effective tax rate was approximately 23.9% for the three months ended March 31, 2024. The calculation is based on a ratio where the numerator is the adjusted income tax expense of \$18,370 and the denominator is \$76,841, which equals adjusted net income of \$58,472 plus adjusted income tax expense.

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS)

Three months ended March 31, 2023

	Adjustments										
	GAAP amount	Interest, net	Unrealized (gain) loss on short-term investments held at the reporting date, net	(Gain) loss on investments, net	(Income) loss from equity method investments, net	Amortization	Share-based compensation	Acquisition, integration, and other costs	Disposal related costs	Lease asset impairments and other charges	Adjusted non-GAAP amount
Direct costs	\$ (45,730)	\$ —	\$ —	\$ —	\$ —	\$ 196	\$ 76	\$ 85	\$ —	\$ —	\$ (45,373)
Sales and marketing	\$ (115,920)	—	—	—	—	—	924	1,419	—	—	\$ (113,577)
Research, development, and engineering	\$ (17,914)	—	—	—	—	—	783	175	—	—	\$ (16,956)
General, administrative, and other related costs	\$ (101,263)	—	—	—	—	33,319	6,619	1,846	149	1,319	\$ (58,011)
Interest expense, net	\$ (4,480)	74	—	—	—	—	—	—	—	—	\$ (4,406)
Gain on investment, net	\$ 357	—	—	(357)	—	—	—	—	—	—	\$ —
Unrealized loss on short-term investments held at period end, net	\$ (20,345)	—	20,345	—	—	—	—	—	—	—	\$ —
Income tax benefit (expense) ⁽¹⁾	\$ 616	(18)	(5,080)	89	—	(8,893)	(1,585)	(948)	(37)	(329)	\$ (16,185)
Loss from equity method investment, net	\$ (9,182)	—	—	—	9,182	—	—	—	—	—	\$ —
Total non-GAAP adjustments		\$ 56	\$ 15,265	\$ (268)	\$ 9,182	\$ 24,622	\$ 6,817	\$ 2,577	\$ 112	\$ 990	

(1) Adjusted effective tax rate was approximately 23.8% for the three months ended March 31, 2023. The calculation is based on a ratio where the numerator is the adjusted income tax expense of \$16,185 and the denominator is \$67,911, which equals adjusted net income of \$51,726 plus adjusted income tax expense.

ZIFF DAVIS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN THOUSANDS)

The following tables set forth a reconciliation of Net cash provided by operating activities to Free cash flow:

<u>2024</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
Net cash provided by operating activities	\$ 75,558	\$ —	\$ —	\$ —	\$ 75,558
Less: Purchases of property and equipment	(28,129)	—	—	—	(28,129)
Free cash flow	<u>\$ 47,429</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 47,429</u>

<u>2023</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
Net cash provided by operating activities	\$ 115,307	\$ 39,728	\$ 72,808	\$ 92,119	\$ 319,962
Less: Purchases of property and equipment	(30,017)	(25,233)	(27,226)	(26,253)	(108,729)
Free cash flow	<u>\$ 85,290</u>	<u>\$ 14,495</u>	<u>\$ 45,582</u>	<u>\$ 65,866</u>	<u>\$ 211,233</u>