

J2 GLOBAL COMMUNICATIONS INC
Form 10-Q
March 12, 2007

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

FORM 10-Q

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from to

Commission File Number: 0-25965

j2 GLOBAL COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

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

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

(323) 860-9200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated

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filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of February 28, 2007, the registrant had 48,969,601 shares of Common Stock outstanding.

j2 GLOBAL COMMUNICATIONS, INC.

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

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PART I. FINANCIAL INFORMATIONItem 1. Financial Statements

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

	September 30, 2006	December 31, 2005 (As restated, see Note 2)
ASSETS		
Cash and cash equivalents	\$ 73,443	\$ 36,301
Short-term investments	83,003	76,525
Accounts receivable, net of allowances of \$831 and \$627, respectively	11,217	10,211
Prepaid expenses and other current assets	5,445	3,350
Deferred income taxes	1,091	1,091
Total current assets	174,199	127,478
Long-term investments	14,514	31,673
Property and equipment, net	18,614	17,248
Goodwill	30,510	19,942
Other purchased intangibles, net	20,806	20,299
Deferred income taxes	6,212	4,997
Other assets	501	307
Total assets	\$ 265,356	\$ 221,944
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 13,741	\$ 8,782
Income taxes payable	—	2,964
Deferred revenue	10,578	7,201
Current portion of long-term debt	287	593
Total current liabilities	24,606	19,540
Long-term debt	—	149
Other	92	—
Total liabilities	24,698	19,689
Commitments and contingencies		
Total stockholders' equity	240,658	202,255
Total liabilities and stockholders' equity	\$ 265,356	\$ 221,944

See accompanying notes to condensed consolidated financial statements

j2 Global Communications, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005 (As restated, see Note 2)	2006	2005 (As restated, see Note 2)
Revenues:				
Subscriber	\$ 44,491	\$ 36,487	\$ 127,724	\$ 101,842
Other	1,400	1,202	4,451	2,956
	45,891	37,689	132,175	104,798
Cost of revenues (including stock-based compensation of \$97 and \$303 for the three and nine months of 2006, respectively, and \$10 and \$17 for the three and nine months of 2005, respectively)	9,648	8,120	27,947	21,592
Gross profit	36,243	29,569	104,228	83,206
Operating expenses:				
Sales and marketing (including stock-based compensation of \$266 and \$807 for the three and nine months of 2006, respectively, and \$15 and \$24 for the three and nine months of 2005, respectively)	8,141	5,783	22,498	16,801
Research, development and engineering (including stock-based compensation of \$149 and \$413 for the three and nine months of 2006, respectively, and \$2 and \$10 for the three and nine months of 2005, respectively)	2,129	1,797	5,965	5,263
General and administrative (including stock-based compensation of \$995 and \$3,073 for the three and nine months of 2006, respectively, and \$158 and \$321 for the three and nine months of 2005, respectively)	10,204	5,919	26,454	16,813
Total operating expenses	20,474	13,499	54,917	38,877