

J2 GLOBAL COMMUNICATIONS INC
Form 10-Q
May 10, 2006

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

FORM 10-Q

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

For the quarterly period ended March 31, 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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated 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 April 27, 2006, the registrant had 24,842,248 shares of Common Stock outstanding.

j2 GLOBAL COMMUNICATIONS, INC.

FOR THE QUARTER ENDED MARCH 31, 2006

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PART I. FINANCIAL INFORMATIONItem 1. Financial Statements

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

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 50,731	\$ 36,301
Short-term investments	89,115	76,525
Accounts receivable, net of allowances of \$677 and \$627, respectively	10,143	10,211
Prepaid expenses and other current assets	2,652	3,350
Deferred income taxes	1,091	1,091
Total current assets	153,732	127,478
Long-term investments	22,490	31,673
Property and equipment, net	17,012	17,248
Goodwill	21,260	20,681
Other purchased intangibles, net	21,051	20,299
Other assets	283	307
Deferred income taxes	4,903	4,559
Total assets	\$ 240,731	\$ 222,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 7,028	\$ 7,611
Income taxes payable	5,986	2,809
Deferred revenue	8,384	7,201
Current portion of long-term debt	451	593
Total current liabilities	21,849	18,214
Deferred rent	113	—
Long-term debt	121	149
Total liabilities	22,083	18,363
Total stockholders' equity	218,648	203,882
Total liabilities and stockholders' equity	\$ 240,731	\$ 222,245

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 March 31,	
	2006	2005
Revenues:		
Subscriber	\$ 40,562	\$ 31,275
Other	1,456	949
	42,018	32,224
Cost of revenues (including non-cash compensation of \$109 for 2006)	9,010	6,497
Gross profit	33,008	25,727
Operating expenses		
Sales and marketing (including non-cash compensation of \$265 for 2006)	6,864	5,462
Research, development and engineering (including non-cash compensation of \$110 for 2006)	1,892	1,761
General and administrative (including non-cash compensation of \$940 for 2006)	7,900	5,145
Total operating expenses	16,656	12,368
Operating earnings	16,352	13,359
Interest and other income, net	1,256	597
Earnings before income taxes	17,608	13,956
Income tax expense	5,297	3,768
Net earnings	\$ 12,311	\$ 10,188
Net earnings per common share:		
Basic	\$ 0.50	\$ 0.43
Diluted	\$ 0.48	\$ 0.40
Weighted average shares outstanding:		
Basic	24,624,889	23,666,910
Diluted	25,518,689	25,382,088

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net earnings	\$	