

j2 Global Communications Inc.

(JCOM:NASDAQ)

Outperform 2

j2 provides Internet-based fax, voice and data services to individuals and businesses. The company is the world's leader in Internet fax, offering the benefits of security, ease of use and efficiency. Based in Los Angeles, California, j2 was founded in 1995 and has about 175 employees.

JCOM: 2Q05 Earnings Preview

- ◆ We are reiterating our **Outperform** rating and \$43 target based on a 25 P/E applied to our 2005 EPS estimate of \$1.73. We expect j2 to report at least in-line with our estimates [EPS of \$0.42 and revenue of \$34.6 million (34% y/y)] for the quarter and year. 2Q is seasonally strong with 64 business days vs. 61-3/4 in 1Q and 59 in 4Q. We also expect a portion of the 8,000-10,000 subs from larger enterprise wins last quarter to appear this quarter. Despite flattish trends in number of users to the efax.com site (according to source Alexa.com), j2 reiterated guidance during the quarter: 2Q05 revenue of \$34.5-34.8 million and EPS of \$0.42-0.43; 2005 revenue of \$145-148 million vs. our \$145.2 million estimate and EPS of \$1.70-1.75 vs. our \$1.73 estimate.
- ◆ Key catalysts for the stock are success internationally and further penetration of the enterprise market (1000+ phone numbers). Although j2 has not announced major enterprise wins during the quarter, we believe that j2 has a healthy and growing pipeline of around 17 deals with an average sales cycle of 6-9 months. j2 announced service in Spain and Portugal this quarter. UK and France are important regions for the near term, followed by Germany and Spain, in our opinion. j2 currently has over 600,000 international subs; less than 10% of revenue is international. We also believe that j2 generates 2-4x as much revenue per free international sub compared to the U.S., which is around \$0.04 per sub, given that the calling party pays fees. We do not believe that there have been any major competitive changes recently.
- ◆ An issue surrounding JCOM has been concern over potential Universal Service Fund (USF) regulations. RJ's wireline analyst does not expect changes to the USF until at least 2H06 given normal political processes. A revenue solution could be \$1/phone number or connection/month fee. In the case that such measures are implemented, j2 has indicated that it would seek an exemption, which remains a possibility based on past rulings (read: pulver.com ruling), or monetize its free base and pass through costs to the paid base. The main risk from a USF change, we believe, is the potential impact on the U.S. free sub base as a channel.

FY=	EPS Dec	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year
Old	2004A	\$0.25	\$0.29	\$0.32	\$0.37	\$1.23
New	2005E	0.40A	0.42	0.44	0.47	1.73
Old	2006E	0.49	0.52	0.55	0.58	2.15
New	2006E	0.49	0.52	0.55	0.58	2.15

Rows may not add due to rounding.

Please read disclosure/risk information on page 2 and Analyst Certification on page 3.

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EQUITY RESEARCH

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Communications Software
 Company Comment

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Current Price (7/11/2005) \$35.18
 Projected 12-Month Target Price: \$43.00

52-Week Range \$42.16-\$22.25
 Dividend/Yield \$0.00/0.0%
 Book Value (03/05) \$5.98
 Suitability Aggressive Growth

Shares Out. (mil.) 25.4
 Market Cap. (mil.) \$894
 Avg. Daily Vol. (10 day) 489,772

Proj. 3-Yr EPS Growth Rate 25%
 ROE 28%
 LT Debt (mil.)/% Cap. \$1/1%

P/E Ratios
 2005E 20.3x
 2006E 16.4x

Revenues (mil.)	Old	New
2004A	\$106	\$106
2005E	\$145	\$145
2006E	\$189	\$189

Important Investor Disclosures

Stock Ratings: The common stock of j2 Global Communications Inc. currently has an **Outperform** rating. Within our four-tiered rating system, Strong Buy (SB1) means that the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P 500 over the next six months; *for higher-yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.* Outperform (MO2) means the stock is expected to appreciate and outperform the S&P 500 over the next 12 months; *for higher-yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12 months.* Market Perform (MP3) means the stock is expected to perform generally in line with the S&P 500 over the next 12 months and is potentially a source of funds for more highly rated securities; and Underperform (MU4) means the stock is expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

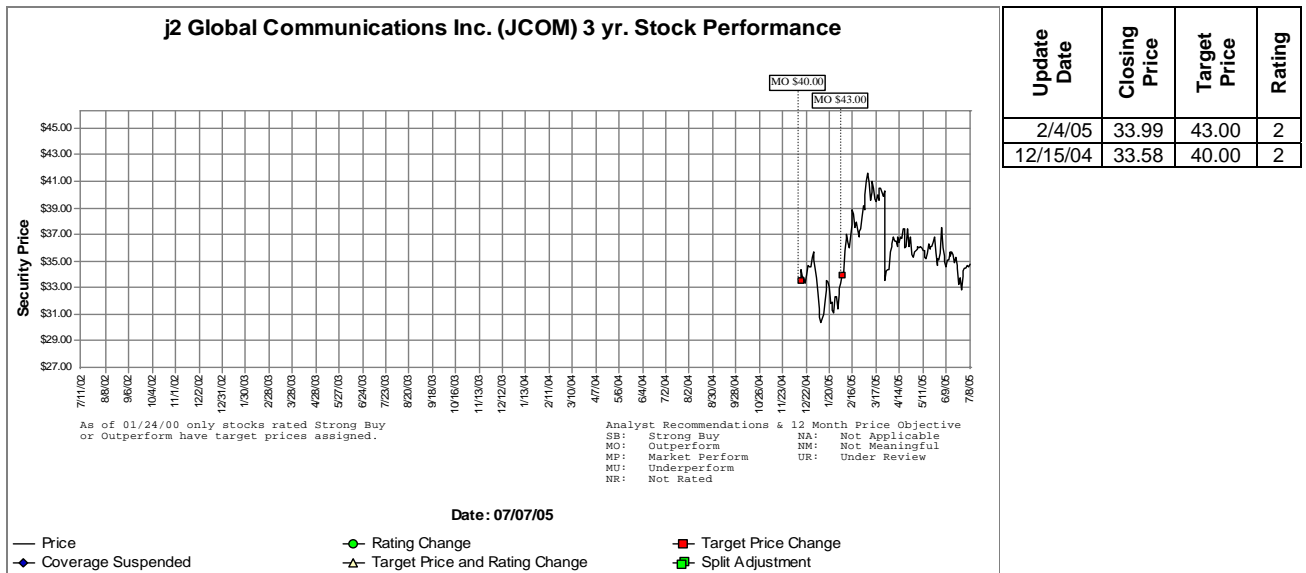
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Raymond James Relationships: RJA expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
j2 Global Communications Inc.	Raymond James & Associates makes a NASDAQ market in shares of JCOM.

Target Prices: The information below indicates our target price and rating changes for JCOM stock over the past three years.



Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. We use several valuation methods to derive a price target: EV/FCF/G, DCF, PEG, P/E, EV/EBITDA and comparables.

General Risk Factors: Following are some general risk factors that pertain to the projected 12-month target prices included on our research for stocks rated Strong Buy or Outperform: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects.

Specific Investment Risks Related to the Industry or Issuer

Communications Software Industry Risk Factors

The Communications Software group is impacted by enterprise and carrier IT spending patterns, as well as timing and magnitude of new technology and service deployments.

Potential Risks

A low net sub add in any one quarter, emerging market, competition from unified messaging service providers, wide acceptance of digital signatures, and major changes in the universal service fund.

Complete Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at www.rjcapitalmarkets.com/SearchForDisclosures_main.asp. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see www.rjf.com for office locations) or by calling (727) 567-1000 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

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