Advest

j2 Global Communications

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Specialty Telecommunications

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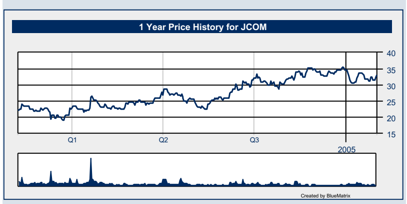
Share Data

52 Wk. Range	$36.35-$18.82
Shares Outstanding:	25.6M
Avg. Daily Volume:	485,908
L/Term Grt. Rate:	40.00%
Dividend/Yield	NA/NM
ROAE (LTM):	33.4%
Insider Ownership:	18.0%
Book Value:	$3.41
Price/Book:	9.97x
Price/Tang. Book:	NM



ESTIMATE CHANGE

Exchange:	**NASDAQ**	Recommendation:	**Buy**
Symbol:	**JCOM**		
Current Price:	**$33.99**	Target Price:	**$40.00**
Market Cap:	**$870.1MM**		

JCOM: 4Q Results Beat Estimates Again; Growth Expected to Continue

Action

We are reiterating our BUY rating and $40 price target. JCOM reported another solid quarter of growth. We are raising our estimates to reflect the continued high level of operating margin derived from domestic, and now, international revenue growth.

Summary

- JCOM reported 4Q04 EPS of $0.37 on revenue of $29.8 million beating our and consensus EPS estimates by $0.02 and $0.03, respectively.
- Revenue was substantially in line with consensus and our forecast.
- We raised our 2005 estimates to reflect the strong outlook, particularly from further international expansion.

Earnings Outlook

	12/03A		12/04A		12/05E	
	Prior	**Current**	**Prior**	**Current**	**Prior**	**Current**
Q1	**0.20**	**0.20**	**0.25**	**0.25**	**—**	**0.39E**
Q2	**0.24**	**0.24**	**0.29**	**0.29**	**—**	**0.42E**
Q3	**0.28**	**0.28**	**0.32**	**0.32**	**—**	**0.45E**
Q4	**0.32**	**0.32**	**0.35E**	**0.37**	**—**	**0.48E**
FY	**1.04**	**1.04**	**1.21E**	**1.23**	**1.62E**	**1.74E**

2003Annual: untaxed
2003Q4 excludes non-recurring tax benefit
2004Annual: fully taxed

Valuation Parameters

	12/03A	12/04A	12/05E
P/E	32.7x	27.6x	19.5x

SEE PAGES 2 – 4 FOR IMPORTANT DISCLOSURES AND A DISCUSSION OF THE METHOD USED TO DETERMINE PRICE TARGET AND THE RISKS THAT MAY IMPEDE ACHIEVEMENT OF THE PRICE TARGET .

JCOM reported 4Q04 EPS of $0.37 on revenue of $29.8 million. We were looking for EPS of $0.35 on revenue of $30.0 million. Consensus estimates were $0.34 on revenue of $29.7 million. In our opinion, 4Q04 was a solid quarter.

We believe the company was able to beat the consensus estimates because subscriber growth for the Web-paid category was the best in the company's history and was made possible by expansion into new locations and growth in the company's DID (direct inward dialing telephone number) inventory, particularly in international markets.

JCOM issued guidance for F2005 of revenues in the range of $145 million to $148 million and EPS in the range of $1.70 to $1.75.

The increase in guidance was primarily attributed to a continued strong outlook as well as expectations for successful sales and marketing campaigns through increased spending (in dollars, but not necessarily as a percentage of revenue). The base of free customers grew by more than one million during the quarter including strong growth in international markets. Paid DIDs rose to 553,949, an increase of 38,000, which exceeded our expectations for 35,000.

We are raising financial estimates for 2005 to reflect the strong outlook for continued growth. For 2005, our EPS estimate rises from $1.62 to $1.74 while our revenue estimate rises $1.2 million to $147.2 million.

While through management's guidance, we still expect the company to grow at 40% through 2005, our expectations for somewhat slower growth in the future, absent new products and services, are reflected in our 12-month price target of $40, which is unchanged from our prior view. Based on our revised earnings estimates, this price target represents a multiple of about 23x our revised 2005 earnings forecast.

In our opinion, and considering JCOM management's upward revision in guidance for another strong year in 2005, we are pleased with the company's performance and feel that the stock is worth holding and continuing to buy. Enabled by a strong patent portfolio, a disciplined approach to acquisitions, an increase in cash and investment balances to $103 million, which produces a strong balance sheet and, finally, opportunities for revenue expansion from current and new domestic and international markets as well as the potential to outsource JCOM services to other telecommunications providers, we think JCOM still has a dominant position in its market segment.

We are reiterating our BUY rating and our 12-month price target of $40. To date JCOM has defied skeptics by maintaining and/or increasing revenue, margins, earnings and cash balances without impact from competitors.

Company Description

j2, based in Hollywood, California, provides messaging services to individual and business customers worldwide on an outsourced basis.

Important Disclosures

Advest makes a market in shares of j2 Global Communications.

Advest will receive, or intends to seek, compensation for investment banking services from this company(ies) within the next three months.

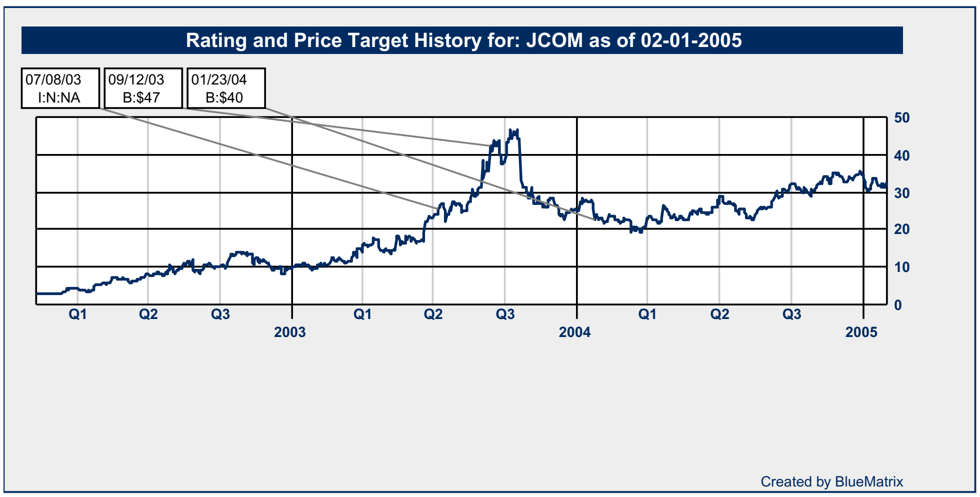
Valuation and Risks

Currently, JCOM is trading at 19.5x our 2005 EPS estimate of $1.74. Our 12-month price target of $40 represents a P/E of about 23x our fully-taxed 2005 EPS estimate.

The analyst certifies that the views expressed herein accurately reflect the analyst's personal views about the security(ies) and company(ies) reported upon, and that the analyst's compensation is not directly or indirectly related to any specific recommendation or view contained in this or any other research publication. The analyst further certifies that the views expressed in each of the analyst's public appearances accurately reflect the analyst's personal views about the security(ies) and company(ies) reported upon, and that the analyst's compensation is not directly or indirectly related to any specific recommendation or view expressed in any public appearance.

Advest's rating system compares expected stock price performance to the S&P 500 and Russell 2000 indices and consists of the following: STRONG BUY (SB): Outperform the indices in both short-term (6-12 months) and long-term (12-18 months) performance; BUY (B): Outperform the indices in long-term performance; NEUTRAL (N): Perform in line with the indices; SELL (S): Underperform the indices in both short-term and long-term performance; NR: Not rated.

Advest fundamental analysts do not own securities issued by companies in the industries they cover. Advest analysts are compensated in part on the basis of overall company revenue generation. Analysts do not receive direct compensation for specific investment banking transactions.



Distribution of Ratings/IB Services by Universe and Firmwide

Rating	Advest Count	Advest Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY [B/SB]	63	52.50	3	4.76
HOLD [N]	55	45.83	6	10.91
SELL [S]	2	1.67	0	0.00

Disclaimer

Additional information on recommended securities is available upon request.

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Annual & Quarterly Income Statement (2003–2005E)

(Thousands, except per-share data)	2003A					2004A					2005E				
	1Q	2Q	3Q	4Q	2003A	1QA	2QA	3QA	4QA	2004A	1QE	2QE	3QE	4QE	2005E
Total Revenue	**$ 15,208**	**$ 17,037**	**$ 18,903**	**$ 20,474**	**$ 71,622**	**$ 22,942**	**$ 25,831**	**$ 27,771**	**$ 29,799**	**$ 106,343**	**$ 32,200**	**$ 35,500**	**$ 38,500**	**$ 41,000**	**$ 147,200**
Cost of Goods Sold	3,010	3,247	3,494	3,572	13,322	3,640	4,063	4,363	4,448	16,514	5,072	5,591	6,064	6,458	23,184
Gross profit	**$12,198**	**$13,790**	**$15,409**	**$16,902**	**58,300**	**$19,302**	**$21,768**	**$23,408**	**$25,351**	**89,829**	**$27,129**	**$29,909**	**$32,436**	**$34,543**	**124,016**
Operating Expenses															
Sales & Marketing	2,510	2,866	2,898	2,898	11,172	3,779	4,767	4,729	5,226	18,501	5,313	5,946	6,449	6,868	24,576
R&D	1,026	1,023	1,006	1,140	4,195	1,050	1,264	1,418	1,517	5,249	1,674	1,846	2,079	2,214	7,813
G&A	3,468	3,743	4,085	4,387	15,683	4,482	4,734	5,321	5,506	20,043	5,860	6,426	6,930	7,339	26,555
Operating Profit	**5,194**	**6,158**	**7,421**	**8,477**	**27,250**	**9,991**	**11,003**	**11,940**	**13,102**	**46,036**	**14,281**	**15,691**	**16,979**	**18,122**	**65,072**
Other Expenses (Income)															
Interest and Other	(74)	(69)	(126)	(150)	(419)	(186)	(352)	(505)	(140)	(1,183)	(186)	(220)	(260)	(280)	(946)
Goodwill and Other Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructr./ Writedown/ Acctg. Chan(	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax	235	280	347	(8,999)	(8,137)	3,778	3,866	4,316	3,652	15,612	4,300	5,100	5,500	5,900	20,800
Net Income (Loss)	**$ 5,033**	**$ 5,947**	**$ 7,200**	**$ 17,626**	**$ 35,805**	**$ 6,399**	**$ 7,489**	**$ 8,129**	**$ 9,590**	**$ 31,607**	**$ 10,167**	**$ 10,811**	**$ 11,739**	**$ 12,502**	**$ 45,218**
Diluted EPS (pro forma)*	**$0.20**	**$0.24**	**$0.28**	**$0.32**	**$1.04**	**$0.25**	**$0.29**	**$0.32**	**$0.37**	**$1.23**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Diluted EPS (reported)	**$0.20**	**$0.24**	**$0.28**	**$0.69**	**$1.42**	**$0.25**	**$0.29**	**$0.32**	**$0.37**	**$1.23**	**$0.39**	**$0.42**	**$0.45**	**$0.48**	**$1.74**
Diluted EPS (fully-taxed)	**$0.13**	**$0.15**	**$0.18**	**$0.20**	**$0.66**	**$0.25**	**$0.29**	**$0.32**	**$0.37**	**$1.23**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Diluted Shares	24,697	25,203	25,493	25,670	25,183	25,564	25,585	25,572	25,809	25,633	25,840	25,900	25,950	26,000	25,923
Margin Analysis (% of total revenue)															
Gross Margin	80%	81%	82%	83%	81%	84%	84%	84%	85%	84%	84%	84%	84%	84%	84%
Sales & Marketing	17%	17%	15%	14%	16%	16%	18%	17%	18%	17%	17%	17%	17%	17%	17%
R&D	7%	6%	5%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
G&A	23%	22%	22%	21%	22%	20%	18%	19%	18%	19%	18%	18%	18%	18%	18%
Operating Margin	34%	36%	39%	41%	38%	44%	43%	43%	44%	43%	44%	44%	44%	44%	44%
Net Margin	33%	35%	38%	86%	50%	28%	29%	29%	32%	30%	32%	30%	30%	30%	31%
Year-Year Revenue Growth	47%	51%	51%	46%	49%	51%	52%	47%	46%	48%	40%	37%	39%	38%	38%
Quarterly Sequental Revenue Growth	8%	12%	11%	8%		12%	13%	8%	7%		8%	10%	8%	6%	

* pro forma EPS excludes goodwill and extraordinary items.

Source: Advest estimates and company reports