

j2 Global Communications Inc.
(JCOM: NASDAQ)

Outperform 2

**EQUITY
RESEARCH**

Mike Latimore
(404) 442-5862
Michael.Latimore@RaymondJames.com

December 14, 2004

Communications Software
Initiation of Coverage

RAYMOND JAMES



Global Communications

Faxing Profits

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc., (RJA) at this date and are subject to change. Information obtained from third-party sources is considered reliable, but we do not guarantee that the foregoing report is accurate or complete. Other departments of RJA may have information that is not available to the Research Department about companies mentioned in this report. RJA or its affiliates may execute transactions in the securities mentioned in this report that may not be consistent with the report's conclusions. For institutional clients of the European Economic Area (EEA): This document (and any attachments or exhibits hereto) is intended only for EEA Institutional Clients or others to whom it may lawfully be submitted. Raymond James in the U.K. is regulated by the Securities and Futures Authority.

© 2004 Raymond James & Associates, Inc.

The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716
Institutional clients may call for additional information:
Research 800-237-5643 • Trading 800-237-8426

RAYMOND JAMES
& ASSOCIATES, INC.
Member New York Stock Exchange, NYSE

Table of Contents

Company Description and History	4
Product and Services.....	4
Fax Offerings	5
Document Management	5
Enhanced Voice and Data Services.....	5
Global Network and Operations.....	6
Market Dynamics	7
Enterprise Applications.....	7
Fax Services Market.....	8
Fax Market Growth.....	8
Hosting vs. Internal Servers	8
Strategy.....	9
Risks	9
Sales, Marketing and Customers.....	10
Competition.....	11
Management.....	11
Financial Condition	12
Financial Outlook	12
Valuation	14

Appendices

Comparables Table.....	15
Valuation Sensitivity Analyses	16
Financial Statements	17
Glossary.....	20

j2 Global Communications Inc.

(JCOM: NASDAQ)

Outperform 2

December 14, 2004

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.

**Communications Software
Initiation of Coverage**

Mike Latimore
(404) 442-5862
Michael.Latimore@RaymondJames.com

JCOM: Initiating Coverage with an Outperform Rating

- ◆ j2 is the leading company in a healthy market, Internet fax services, which falls under the radar screen of many investors. We believe wider awareness of this 30% growth market and continued execution by j2 will lead to further appreciation in JCOM. We are initiating coverage with an **Outperform** rating and \$40 target based on 25x 2005 EPS estimates and a PEG ratio of 1.
- ◆ j2's service allows for easy access, convenience, security and efficiency in receiving fax. One needs only a PC and Internet connection to receive faxes anywhere in the world. The service drops faxes into email boxes and transmits faxes over Internet protocol (IP) networks.
- ◆ While the fax machine market is declining, we believe advanced fax markets, such as Internet fax and fax servers are growing. The underlying demand for fax, while certainly influenced by the advent of email, remains strong because of the requirement for fax in official business communications, the desire to have hard copy back-ups and the ubiquity of fax worldwide.
- ◆ j2 has a stellar track record of revenue and earnings growth. We believe that continued growth in its core individual and small office/home office (SOHO) business combined with increased penetration of large accounts and new enhanced communications services will grow the company going forward. j2 currently has 43% operating margins, \$83.8 million in net cash, and offers a FCF yield of 6.5%.

EPS FY=Dec	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year
2003A	0.20	0.24	0.28	0.32	1.04
2004E	0.25A	0.29A	0.32A	0.34	1.20
2005E	0.36	0.38	0.41	0.42	1.58
2006E	0.45	0.49	0.51	0.53	1.98

Current Price
(12/13/04) \$32.67
Projected 12-Month Target Price:
\$40.00

52-Week Range \$35.58-\$18.82
Dividend/Yield \$0/0%
Book Value (09/04) \$5.03
Suitability Aggressive Growth

Shares Out. (mil.) 25.6
Market Cap. (mil.) \$836.4
Avg. Daily Vol. (10 day) 429,771

Proj. 3-Yr EPS Growth Rate 25%
ROE 26.3%
Long-Term Debt/Cap \$0/0%

P/E Ratios
2004E 27.2x
2005E 20.7x
2006E 16.5x

Revenues (mil.)
2003A \$71.6
2004E \$106.0
2005E \$144.4
2006E \$189.1

Please read disclosure/risk information on page 21 and Analyst Certification page 23.

Company Description

Insider Trading BOT/SL
last 6 months.....1,439/552,215
Float (mil.)..... 19.9
Common Equity
(mil.)/% of Cap \$128.6/90%
Preferred Equity
(mil.)/ % of Cap \$0/0%

j2 Global Communications, Inc. provides Internet-based fax, voice, and data services to individuals and businesses. j2 is the world's leading provider of outsourced fax-to-email services, 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.

History

In 1994, Jaye Muller, a 25 year-old German-born musician was touring England with his band and found that his constant movement in and out of different towns and hotels caused him to miss messages. Jaye was inspired with an idea to develop a computerized fax and voice messaging service that followed the subscriber no matter where he or she roamed. Together with his manager and business partner, Jack Rieley, they created JFAX (now, j2 Global Communications).

The following are significant milestones in the company's history.

- April 1997: j2 closed its first round of venture capital financing.
- July 1999: j2's IPO.
- January 2000: Fax-for-Free, Inc. acquisition.
- March 2000: TimeShift, Inc. acquisition.
- November 2000 eFax, Inc. acquisition.
- March 2004: The Electric Mail Company acquisition.
- August 2004: Onebox acquisition.

A combination of a healthy market and sound strategies has allowed j2 to grow revenue in 30 consecutive quarters. The CAGR during the past three years has been 48.2%.

Products and Services

j2's products and services fall into three primary categories: fax-to-email, enhanced voice and messaging services, and document management. The fax-to-email services, known as eFax and jConnect Premier, are the major revenue stream, comprising 93.6% of revenue in 3Q04. Fax-to-email allows users to receive fax messages in their email inbox, enhancing the traditional fax framework by increasing accessibility, document management and storage capabilities, while maintaining confidentiality.

To market and promote this service, j2 leverages Internet traffic to its web sites and employs a free to pay model. Potential customers can try-out a limited version of the fax-to-email service for free with the hope that free customers will convert to paying subscribers. The majority of j2's fax customers are individuals, but the company is increasingly targeting corporate accounts, which now are about 40% of revenue. There are presently around 515,162 paying subscribers and 7.1 million free subscribers.

While j2's fax service offers lower overall costs versus an internal fax machine or fax server, we believe the decline in pricing on internal systems will

continue to occur. In our opinion, the key reasons users go with the j2 service is convenience, ease of use, privacy, and features.

Other products and services include document management, voice services, email services, and unified messaging and communications services. The principal brand names are jConnect[®], JFAX[®], eFax Corporate[®], jBlast[®], eFax Broadcast[™], PaperMaster[®], Consensus[™], M4 Internet[™] and ProtoFax[®].

Fax Offerings

- **jConnect Free** and **eFax Free** are j2 Global's limited use, advertising-supported "introductory offerings". Each subscriber is given a unique non-local area code phone number which enables the user to receive a limited number of faxes (and voicemails with jConnect Free) into his or her personal email inbox. The subscriber does not have the capability of sending faxes from his or her desktop (as with the company's "paid" services). In addition, the customer agrees to receive and open a certain amount of e-mail advertising which the company distributes.
- **eFax Plus** offers the subscriber a unique local phone number which enables the subscriber to receive inbound faxes into his or her email inbox and to send a document to any fax number in the world directly from his or her desktop. Individuals are permitted to receive 250 pages for the monthly service fee.
- **eFax Corporate** was launched in 2001 as a faxing solution designed for enterprise customers. This solution includes additional features and functionality such as on-line account management, enhanced security options, client tracking features and expanded customer service and support.
- **jConnect Premier** offers the subscriber a toll-free or local phone number providing for the sending and receiving of faxes and voicemails, as well as the ability to access all messages, including e-mail, from the Web or any touch tone phone. Web-based, 16 party conference calling is also available. With jConnect Premier number, a subscriber can create a virtual office, or establish a local presence in more than 1400 cities in 20 countries on five continents.

We believe j2 will continue to enhance its fax offerings, such as with smart caller ID and new notification methods.

Document Management

These solutions represent a small portion of revenue, but enhance the value of existing services and serve as vehicles for selling new services to the existing customer base.

- **PaperMaster Pro** is a document management software solution that provides users with an easy method for storing, searching and sharing documents. A new version is scheduled for release later this year.
- **Messenger Plus** allows users to email web pages, screenshots and other types of documents as easy-to-open attachments.
- **ProtoFax** delivers documents and data as faxes and alphanumeric pages from email, the Web, Windows, and database and proprietary applications.

Enhanced Voice and Data Services

Other enhanced messaging applications involve voice mail and email. j2 has a strategy of upselling such services into its installed base. These revenue streams are also small at present.

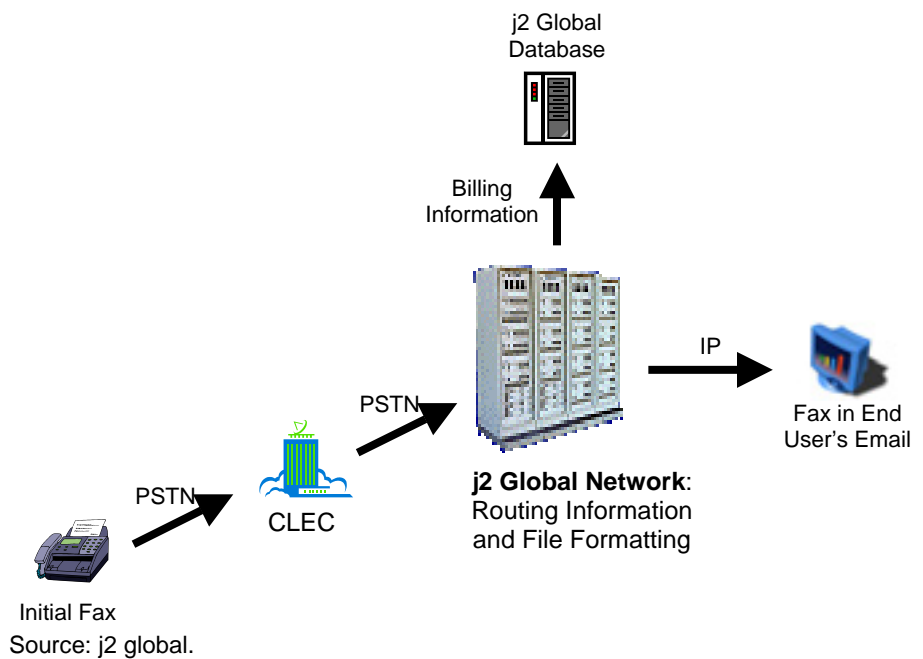
- **eVoice**: This service enables inbound voice messages to flow into one's email box. Conference calling is also available. In the future, we'd expect additional features around call screening, call forwarding, and collaboration.

- **Onebox** offers unified messaging and find me/follow me. Future enhancements could include wireless messaging and notification.
- The **Electric Mail** company provides permission-based email marketing, outsourced email, and spam control.

Global Network and Operations

One of the reasons j2 is able to provide ease of access and reliability of service, is its extensive network. The company has 53 points of presence (POP) around the globe. These POPs include racks of fax servers and routers co-located within different telecom carriers' facilities. The network covers all major metropolitan statistical areas (MSA) in the U.S.: New York, Los Angeles, and Chicago as well as London, Paris, and Milan, internationally. j2 maintains a central data center in Los Angeles.

The diagram below shows a typical fax-to-email transmission and the steps involved across j2's network and data centers.



Market Dynamics

Enterprise Applications

We view j2 as one of the pure plays on enterprise communications applications. j2's core business is fax, but several other communications applications exist: voice messaging, voice over Internet protocol (VoIP), multimedia conferencing, speech recognition-based services, email, unified messaging, find me/follow me, instant messaging, chat, call routing, call monitoring, presence, personal assistant, location, notification services, multimedia contact centers, wireless data access, and IP Centrex. j2 already has an offering in some of these areas, or is reviewing opportunities.

Application	Description
Call routing	User and enterprise control over call destination
Call monitoring	Call recording and analysis within contact centers
Chat	Internet-based text chat
Collaboration & Web conferencing	Service allowing network users to view and amend documents, presentations, or even software code although being at different locations
Digital media	Audio and video streaming
Find me/follow me	Routing of calls to user's location via a single number
Instant messaging	Ability to determine user's presence and communicate via text messages
IP Centrex	Hosted management of enterprise voice switching
Location	Wireless service that enables users to locate assets, people or organizations
Multimedia contact centers	Customer interaction technologies that allow consumers to communicate via voice, video or data
Notification services	Typically text-based alerts of events or messages
Personal assistant	Integration of speech recognition, text-to-speech, calendars and directories, creating automated personal scheduler
Presence	An element of wireline and wireless instant messaging and VoIP services
Speech recognition-based services	Voice portals (accessing Web site content with speech), voice-activated dialing, and directory services, among others.
Voice messaging	Storing and retrieval of voice messages
Voice over IP	Packet based transmission of voice
Unified messaging	Single repository for voice, video and email messages
Wireless content	Wireless access to corporate data and content, often facilitated with middleware

Many of these applications were originally pre-packaged in or offered as proprietary communications systems. Several of the applications were not possible under such architectures or did not exist. The advent of computer-

telephony integration, and today IP-based services, provided rich features and lowered total cost of ownership, leading to wider deployment. j2 benefits from such technology advancements, such as integrating fax into email and leveraging lower communications costs with IP.

Fax Services Market

While j2 offers several communications applications, we believe the main driver of the business in the near term will be its core Internet fax offering.

Fax Market Growth

We divide the fax market into three segments, fax machines, fax servers, and fax services. Fax machines are the typical proprietary devices in most offices today. Fax servers are software-driven, computer-based platforms. These systems take document submissions from workstations, render them into fax format, and use a standard fax telephony board to dial out on a conventional or IP phone line. Such servers can also convert the fax into an email for delivery as they do on j2's network. Fax services are the outsourced subscription-based model based on fax server technology and applications which leverage standard Internet applications and transmission technology.

Based on recent data from long-time industry fax consultant Peter Davidson, we believe the fax machine market is declining at over 10% per year; the fax server market is growing in the 5%+ range and fax services market is growing in the 30% range.

Davidson consulting reported that the U.S. fax machine market was a \$4 billion market in 2000 on slightly less than 5 million units shipped, declining to a \$1.1 billion market on 1.8 million units shipped this year. The U.S. represents about 30% of the worldwide market. The decline reflects a shift to more advanced fax technologies such as fax servers and fax services, as well as pricing pressure and increased use of email. Davidson estimates that the fax services market will reach \$330 million in the U.S. in 2005 and the fax server market \$160 million.

We believe the reason that advanced fax technologies and services continue to grow despite the emergence of email as a separate messaging medium is the ubiquity of and confidence in fax for official business communications. Almost every business has a fax machine and every business card a fax number. We believe there are about 120 million fax machines and 20 million fax servers installed globally. Many industries rely on fax for official business communications, and most industries desire to have a hard copy back up for business documents.

One way to gauge the potential market for j2's fax service is to look at the potential number of users in the U.S. and internationally. To do that, we look at the number of employees that are in industries most likely to use fax. Industries most likely to use fax include: financial institutions, real estate, law firms, medical, government, hospitality, and remote workers. Such industries employ 60 million people in the U.S. Given j2's current subscriber base of 7.62 million (including 7.1 million free users), and the additional subscriber count at competitors of 200,000, we believe penetration is about 13%. Alternatively, our industry resources indicate that 30% of the U.S. workforce uses and will continue to use fax-capable products and applications. Moreover, the international market is less penetrated and offers growth opportunities for j2.

Hosting vs. Internal Servers

Individuals and companies can decide, as with many software solutions, to either purchase technology and manage the functions in-house, or outsource the capabilities to a hosting company. Each route offers unique advantages. Large enterprises, which have sizeable IT staffs and can leverage an investment across many users, may decide a technology purchase is most effective, while other companies or individuals may view hosting as offering

substantial savings as well as speed of feature updates. Many times the decision to buy or outsource ties to legacy investments at a corporation, IT and corporate culture, and potential usage patterns.

The usual rationale to go the outsourcing route includes: no upfront capital investment, no need for IT staff to manage, and guaranteed service levels because of redundancies and capacity levels at the service bureau. The fax market is attractive on a hosted basis, in our opinion. j2's flagship fax to email service has a low monthly fee, and provides accessibility and confidentiality. The service only requires a PC and an internet connection, and does not require purchase of a fax machine or separate line for fax.

Strategy

j2 intends to be the leading provider of business critical communications and messaging services. We believe the company has the following strategies to attain that goal:

- Add new applications. j2 has been able to, and will continue to, add applications and feature enhancements to its product portfolio either through internal development or acquisitions. Areas of interest include smart caller ID, new notification methods, enhanced voicemail, call screening, collaboration, and wireless messaging and notification.
- Expand internationally. j2 has very little presence internationally, but the value of its service is applicable in all regions. j2 must, then, localize its service for new countries, and factor in regional nuances such as whether there is a calling party pays model or sufficient internet advertising support. To date, j2 has localized its service in the Netherlands, France, Germany, and Spain.
- Unique Customer Acquisition and Marketing. j2 uses several marketing strategies: corporate web site hits, partnerships with Internet portals, traditional marketing, and direct sales. Hits on its corporate sites are the biggest business driver.
- Free to pay conversion. The second most important revenue driver for the company is conversion of free customers to paying customers. J2 will initiate several strategies to garner a free user base, and then, once the users become familiar with the service and premium options, many convert to the pay service which offers more pages, specific phone numbers, enhanced security and reporting and outbound services.
- Leverage latest fax and IP technologies. We believe the company seeks to implement the most efficient, scalable and feature-rich network available, and will continue to do so.

Risks

We believe the following are risks to investors in JCOM:

- Net sub adds in any one quarter. Because j2 is a small company in an emerging market, investors will focus on net sub adds in any one quarter as a key indicator of company health. We believe that while a low net add number may not indicate any change in long-term success, it could have a material impact on the stock's price.
- Unified messaging services. We believe many carriers are reviewing deployment of unified messaging services, which include a fax to email function. Wide marketing of such services would compete with j2's

markets. Complexity of such services has impeded market growth to date.

- Digital signatures. One of the key values of fax communications is the legal recognition of a signature on a document sent using the fax protocol. If digital signatures are legalized, the key advantage of faxes would be eliminated. Regulatory bodies and several large corporations are reviewing and/or promoting digital signature technologies and standards. We believe that the diversity of interests, combined with an easy, ubiquitous alternative fax, will result in slow progress on digital signatures.
- Email and Adobe pdf files. Email is the predominant data messaging format and eliminates the need for fax communications in many circumstances. Similarly, Adobe has created a method for digital document management that would reduce the need for faxing. For official business communications and ubiquitous reach, however, fax will remain a widely-used communications form in our opinion.
- Pricing. j2 has been able to raise prices over the past few years. But, over time, given low cost transmission, decreasing costs of fax machines and more competition, pricing could deteriorate. The company would try to counter that with more enhanced services.
- Direct inward dialing (DID) availability and costs. Every j2 customer is given a DID number, or phone number. j2 gets these numbers from telecomm companies for free or a minimal price. j2 sometimes is challenged to find a stable Competitive Local Exchange Carrier (CLEC) from which to obtain the numbers; j2 does not go to Regional Bell Operating Company's (RBOC) because their prices are too high. In highly-populated areas, the number of DIDs is often low. If the Universal Service Fund is altered, lowering fees or increasing costs, CLECs would have to charge more for DIDs. Number exhaustion has been recast until 2035, basically eliminating that concern.
- Competition in new applications. One of j2's goals is to sell voice and unified messaging services into its installed base. While this is a solid strategy, competition in these areas could be more intense than in the fax market, which may fly under the radar screen of many potential competitors.
- Insider Trading. 552,215 shares have been sold by insiders over the past six months. Richard Ressler, the primary owner of Orchard, which is an original investor in j2, sold 416,104 shares recently and distributed 1.3 million shares to other fund investors. We have no information as to why this particular investor chose to sell at this time.

Sales, Marketing and Customers

Distribution channels for j2's services for individuals include internet portals, such as AOL, Yahoo!, Hotmail, Google, Lycos and corporate portals such as NY Times and Monster.com. The end subscriber characteristics vary by service provider. For example, AOL subscribers are used to paying for premium services while Yahoo! subs are less so. Or, NY Times users have good demographics for j2's service but a smaller population.

j2 has different strategies for each internet partner. For example, j2 recently phased out of marketing on Yahoo! because users become immune to the icon, getting used to its constant presence. j2 will eventually reappear on Yahoo!, causing more focus to return to the j2 icon.

j2 gets 10,000+ hits on its web sites every day. This is the most important channel to date for j2. Given its total paid sub base is just over 500,000, tracking such hits may not be a meaningful proxy for interest in j2's service.

We believe j2 averages about 3-4 marketing initiatives per quarter, whether new channels or new promotions.

j2 markets to the SME market via its efaxcorporate.com web site and telesales. The company has a direct sales force, employing 18 people, and uses traditional direct selling methods to target the large enterprise market. Corporate customers include: Sony, Texaco, Sprint, H&R Block, T Mobile, Wells Fargo, LexisNexis, NFL.com, AT&T, Aramark, Pfizer, Proctor & Gamble, Xerox, Sears, ShopRite, Bristol-Myers Squibb, Enterprise Rent-A-Car, Eastman Kodak, Farmers Insurance Group, Kraft Foods, University of Michigan. Large enterprises use the service to optimize their fax infrastructure, handle volume overages, and save money. The enterprise channel is the fastest growing segment, although only slightly over 5% of revenue.

Competition

In addition to the alternative messaging formats of email and pdfs, we believe the following companies compete with j2: Captaris, Biscom, PTEK, Easylink, Venali and several telecom operators. Captaris is the world's leading provider of fax servers, which a corporation would buy and operate in-house. Such servers have rich features, including fax-to-email, and can be leveraged across an entire organization.

PTEK, Venali and Easylink are competitors in Internet fax segments. Easylink focuses on the large enterprise market. Privately-held Venali addresses the corporate and consumer markets, and has distinguished itself with a junk fax application. PTEK just recently began an Internet fax offering, but historically has had a large broadcast fax business. PTEK also offers a broad array of communications services.

We believe several telecom operators are reviewing deployments of unified messaging services, which could compete with j2's service over the long term.

Larger companies such as Microsoft could get more aggressive in offering fax server technology, such as combined with its Live Communications Server offering, or hosted in one of its business service offerings. Impediments would be, however, lower profile service, intellectual property rights, obtaining enough DIDs, and effective marketing.

As j2 gets into newer areas, such as voice and email, the company will compete with the various voice and VoIP providers as well as email management companies such as Vonage and Comcast.

Management

Management has been with the company for several years, and has an extensive background in the communications industry. Management is also invested in the company, holding about 15% of shares outstanding.

Scott Jarus, President

Scott joined j2 Global in July 2001. Prior to j2 Global, Scott was the President and Chief Operating Officer for OnSite Access, a New York City-based building-centric integrated communications provider serving 625+ buildings within North America. Previous positions include executive management

positions at Rogers Wireless Communications, where he was the Senior VP of Operations, and Metromedia Communications, where he was the VP of Operations.

Scott Turicchi, Chief Financial Officer

Scott joined j2 Global in March 2000, and has been CFO since May 2003. Before assuming the CFO position, Scott was the Company's Executive VP of Corporate Development. Prior to joining j2 Global, Scott was a managing director in Donaldson, Lufkin & Jenrette Securities Corporation's investment banking department. At DLJ, he was responsible for corporate finance activities, including public equity offerings, high grade and high yield debt offerings, private equity placements and mergers and acquisitions advisory services. Scott led the deal teams that raised almost \$100 million for j2 Global.

Hemi Zucker, Chief Marketing Officer

Hemi joined j2 Global in 1996, and served as both the CFO and CMO until May 2003. He is responsible for Sales, Marketing, Product and Customer Service. Prior to joining the company, Hemi spent 16 years working in finance and operations at various Motorola divisions, achieving aggressive goals by implementing strong financial and management systems that led to increasing growth in cash flow and market share.

Zohar Loshitzer, Executive VP, Corporate Strategy

Prior to taking his current position at j2 Global in June 2001, Zohar served as j2 Global's Chief Information Officer since 1997. He is also a managing director of Orchard Telecom, Inc., a telecommunications consulting company. From 1987 to 1995, Zohar was the general manager and part owner of Life Alert, a nationwide emergency response service.

Financial Condition

With 43%+ operating margins, \$83.8 million in cash, no debt and a FCF yield of about 6.5%. j2 global is in fine financial condition. The company may make acquisitions with cash and/or stock over time.

Financial Outlook

We forecast j2's revenues using several revenue segments, the main ones being fixed and usage-based revenue. Fixed revenues largely derive from number of paying subscribers and average revenue per user (ARPU). Usage revenues are largely overage and outbound faxing. The revenue mix will likely shift to usage over time, perhaps 65%/35% fixed/usage vs. 70%/30% today, as business customers become a larger proportion of the mix. Business customers tend to contract for a lower fixed rate, but allow for more usage-based payments; although several pricing options for corporations are still possible.

About 60% of current revenue comes from individual accounts. Individuals generally do not pay a usage fee. Individuals pay about \$12.95 per month and get 250 pages; \$15 activation fee. Only 2% of individuals exceed their limit. 40% of revenue comes from small businesses; such revenue divides about 50%/50% fixed/usage. Large enterprises are just starting to contribute to revenue (just over 5%); that revenue splits 20%/80% fixed usage. Typical prices for enterprises are \$4 per DID plus usage. Usually, these contracts are for three years and have minimums attached to them.

Over the past four quarters, the average number of net new adds averaged 33,700. The majority of these adds come from customers accessing the company's web site channels such as efax.com and j2.com. The second largest influence on those adds is conversion of free subscribers to paid subscribers. We do not believe that one can calculate a meaningful conversion rate given sources of new sub adds are not public and the characteristics of free subscriber group vary dramatically. After that new marketing initiatives and direct sales to large enterprises grows the business.

Over the past four quarters, average revenue per paid user has been \$16.65 with 3Q being at \$16.95. This is a relatively stable number with a modest upward bias we believe. We do not expect frequent price changes. About a year ago, the company increased prices 27%. After that price increase, the company had modest attrition and since then has had record net additions.

Given the recurring fixed revenue (about 70% of revenue) and consistent usage patterns, we believe revenue is highly visible. A healthy end market, successful strategies, and the recurring nature of the business has helped j2 grow revenues in 30 consecutive quarters.

A small segment of revenue, about 2.8%, relates to small advertising and licensing revenue. We'd expect this to be relatively stable over time. At the end of 2005 and into 2006, j2 could begin generating material revenue from new messaging and communications services, such as voice services.

j2 has some seasonality in its business. 4Q tends to be weakest because of relatively few work days, while 2Qs tend to be the strongest.

The following table shows our estimates by revenue segment and subscribers for the next five quarters.

	4Q04	1Q05	2Q05	3Q05	4Q05
Revenues	\$29,497	\$31,914	\$34,997	\$37,679	\$39,813
Fixed	\$20,239	\$21,782	\$23,594	\$24,945	\$26,004
Usage	\$8,469	\$9,335	\$10,600	\$11,739	\$12,808
Ads and other	\$675	\$681	\$688	\$695	\$702
Net Adds	40,000	39,000	42,000	42,000	45,000
ARPU	\$17.00	\$17.17	\$17.34	\$17.52	\$17.69

j2 has been able to grow gross margins steadily over the past 18 months. Pricing has increased, and network and data center operations are relatively fixed costs so increased volumes help to grow gross margins. The main variable cost is long distance costs, which are declining. Overall, then, we forecast gross margins to remain relatively stable going forward.

We'd expect marketing expenses to grow over time as j2 does more international work and the company builds its free user base. R&D could grow somewhat too, as the company has several applications it would like to add to its application portfolio. G&A could decline as a percent of revenue over time with revenue growth. In aggregate, we forecast operating margins to reach 43.4% in 2005, and 43.2% in 2006 versus 43.3% in 2004.

We use a 35% tax rate in our model, although from a cash perspective the tax rate could be in the 5%-35% range given credits and a stated net operating loss (NOL). The company's model requires a low capital investment, which we estimate at about 4% of revenue.

The above assumptions, then, lead to EPS estimates of \$1.58 in 2005 and \$1.98 in 2006 vs. \$1.20 in 2004. Our EBITDA estimate is \$77.1 million for 2005 and \$99.6 million in 2006 vs. \$50.3 million in 2004. Free cash flow is forecasted at \$48.8 million in 2005 and \$64.6 million in 2006 vs. \$29.4 million in 2004.

Valuation: \$40 Target

j2 is the leading player in the healthy Internet fax market. The company has high operating margins, a strong track record, high recurring revenues, and the potential for continued EPS growth in the 25% range over the next three years, albeit much higher in the near term.

Because there are no pure comparables and j2 is in an emerging industry, we review several valuation metrics to derive a price target: EV/FCF/G, DCF, PEG, EV/EBITDA, and comparables. In general, j2 is relatively inexpensive on profitability measures, and relatively expensive on an EV/sales basis.

Because j2 is a small company in an emerging, niche market, we prefer to use a PEG ratio to reach our target. We, then, use a 25x PE ratio applied to our 2005 EPS estimate of \$1.58, producing a \$40 price target. Important catalysts for the stock will be success in international markets, continued consistent net subscriber additions, and success in new product and marketing initiatives particularly in the enterprise market.

Public companies mentioned in this report:

Company Name	Ticker	Priced as of 12/13/04	RJ&A Rating (if Applicable)
Adobe Systems, Inc.	ADBE	\$62.76	
Akamai Technologies, Inc.	AKAM	12.45	
AOL (see Time Warner, Inc.)			
Aramark Corporation	RMK	26.76	
@Road, Inc.	ARDI	6.26	Outperform
AT&T	T	19.30	
Bristol-Myers Squibb Co.	BMJ	24.20	Market Perform
CallWave, Inc.	CALL	13.50	
Captaris, Inc.	CAPA	4.90	
ChevronTexaco Corporation	CVX	53.65	
Comcast Corporation	CMCSA	30.70	
Eastman Kodak Co.	EK	31.40	
EasyLink Services Corporation	EASY	1.43	
Farmers National Life	FNLF	0.00	
Google, Inc.	GOOG	170.45	
H and R Block, Inc.	HRB	49.21	
InfoSpace, Inc.	INSP	48.69	Strong Buy
Kraft Foods, Inc.	KFT	35.12	
Metromedia International Group, Inc.	MTRM	0.52	
Microsoft Corporation	MSFT	27.25	
Monster Worldwide	MNST	29.50	Market Perform
Motorola, Inc.	MOT	17.15	Strong Buy
Pfizer, Inc.	PFE	27.16	Strong Buy
Proctor & Gamble Company	PG	56.49	
PTEK Holdings, Inc.	PTEK	10.64	
RealNetworks, Inc.	RNWK	6.79	Outperform
Rogers Wireless Communications, Inc.	RCN	39.75	
Sears Roebuck and Company	S	52.43	
Shoprite Holdings Ltd	SRHGF	0.75	
Sony Corporation	SNE	37.63	
Sprint Corporation	FON	24.44	
Time Warner, Inc.	TWX	18.93	
Verisign, Inc.	VRSN	34.52	Outperform
WebEx Communications, Inc.	WEBX	24.02	Outperform
Wells Fargo and Company	WFC	63.25	Outperform
Xerox Corporation	XRJ	16.41	
Yahoo!, Inc.	YHOO	38.09	

Comparables Table

Comparables Table		Enterprise Communications Applications														
Market		Sales		EV	EV/Sales		EPS		P/E		Fcall	PEG	EBITDA		EV/E	EV/E
Price	Cap	CY04 Est	CY05 Est.		CY04	CY05	CY04 Est	CY05 Est	CY04	CY05	Growth	2005	CY04 Est	CY05 Est	CY04	CY05
Akamai	1561.1	208.0	260.0	1770.0	8.5	6.8	0.30	0.51	41.50	24.65	25.0	1.0	69.6	96.9	25.4	18.3
@Road	340.6	75.3	85.4	225.9	3.0	2.6	0.19	0.23	33.50	27.36	20.0	1.4	11.0	13.4	20.6	16.9
InfoSpace	48.69	1762.6	343.6	1533.3	6.3	4.5	1.27	1.75	38.34	27.82	30.0	0.9	59.1	86.6	25.9	17.7
Callwave	13.50	257.9	63.1	242.7	N/A	3.8	0.55	0.49	N/A	27.55	15.0	1.8	N/A	8.5	N/A	28.4
Caplaris	4.90	154.6	94.1	99.7	1.3	1.1	0.01	0.17	490.00	28.82	25.0	1.2	3.8	9.3	26.0	10.7
PTEK Holdings	10.64	748.6	449.6	787.7	1.8	1.6	0.61	0.71	17.53	15.07	15.0	1.0	107.3	123.8	7.3	6.4
Real Networks	6.79	1150.7	262.6	888.3	3.4	2.9	-0.15	0.07	-46.00	97.00	30.0	3.2	9.6	26.4	92.8	33.6
Verisign	34.52	8765.6	1154.9	8159.9	7.1	5.7	0.68	0.85	50.76	40.61	15.0	2.7	359.1	442.0	22.7	18.5
Webex	24.02	1064.5	302.6	899.9	3.6	3.0	0.94	1.07	25.60	22.35	25.0	0.9	69.1	80.1	13.0	11.2
Group mean	1756.2	307.2	375.2	1623.0	4.4	3.6	0.49	0.65	23.03	34.58	22.2	1.6	86.1	98.6	20.2	16.0
Group median	1064.5	242.2	302.6	888.3	3.5	3.0	0.55	0.51	33.50	27.55	25.0	1.2	64.1	80.1	22.7	17.3
i2 Global	835.4	105.9	145.0	754.3	7.1	5.2	1.20	1.58	27.23	20.68	25.0	0.8	50.3	77.1	15.0	9.8

Valuation Sensitivity Analyses

EV/FCF/G Sensitivity Analysis

		0.8	0.9	1	1.1	1.2
-20%	\$ 39.0	\$ 27.7	\$ 30.8	\$ 33.8	\$ 36.9	\$ 39.9
-10%	\$ 43.9	\$ 30.8	\$ 34.2	\$ 37.6	\$ 41.1	\$ 44.5
RJ Est.	\$ 48.8	\$ 33.8	\$ 37.6	\$ 41.4	\$ 45.3	\$ 49.1
10%	\$ 53.7	\$ 36.9	\$ 41.1	\$ 45.3	\$ 49.5	\$ 53.6
20%	\$ 58.5	\$ 39.9	\$ 44.5	\$ 49.1	\$ 53.6	\$ 58.2
		0.8	0.9	1	1.1	1.2
	16%	\$ 27.7	\$ 30.8	\$ 33.8	\$ 36.9	\$ 39.9
	18%	\$ 30.8	\$ 34.2	\$ 37.6	\$ 41.1	\$ 44.5
LTG	20%	\$ 33.8	\$ 37.6	\$ 41.4	\$ 45.3	\$ 49.1
	22%	\$ 36.9	\$ 41.1	\$ 45.3	\$ 49.5	\$ 53.6
	24%	\$ 39.9	\$ 44.5	\$ 49.1	\$ 53.6	\$ 58.2

DCF Sensitivity Analysis

	0%	1%	2%	3%	4%
10%	\$ 55.70	\$ 60.03	\$ 65.44	\$ 72.40	\$ 81.68
12%	\$ 50.08	\$ 53.09	\$ 56.70	\$ 61.11	\$ 66.62
14%	\$ 45.51	\$ 47.61	\$ 50.05	\$ 52.92	\$ 56.34
16%	\$ 43.29	\$ 45.00	\$ 46.96	\$ 49.21	\$ 51.85
18%	\$ 41.12	\$ 42.48	\$ 44.02	\$ 45.76	\$ 47.76

Financial Statements

	1Q04	2Q04	3Q04	4Q04	FY04E	1Q05E	2Q05E	3Q05E	4Q05E	FY05E	FY06E
j2 Global Communications Inc.											
Income Statement (\$000)											
Subscriber	\$ 22,062	\$ 25,063	\$ 26,985	\$ 28,708	\$ 102,818	\$ 31,117	\$ 34,194	\$ 36,684	\$ 38,811	\$ 140,806	\$ 183,438
Advertising	761	647	668	675	2,751	681	688	695	702	2,767	2,879
Licensing and other	119	121	118	115	473	115	115	300	300	830	2,800
TOTAL Revenue:	22,942	25,831	27,771	29,497	106,041	31,914	34,997	37,679	39,813	144,403	189,117
Cost of revenues	3,640	4,063	4,363	4,634	16,700	4,947	5,425	5,840	6,171	22,382	29,313
TOTAL Direct Costs:	3,640	4,063	4,363	4,634	16,700	4,947	5,425	5,840	6,171	22,382	29,313
Gross Profit	19,302	21,768	23,408	24,863	89,341	26,967	29,572	31,839	33,642	122,021	159,804
S&M	3,779	4,767	4,729	4,956	18,231	5,489	6,299	6,782	7,565	26,135	35,932
G&A	4,482	4,734	5,321	5,457	19,994	5,744	6,124	6,405	6,569	24,844	30,758
R&D	1,050	1,264	1,418	1,475	5,207	1,691	1,960	2,261	2,389	8,301	11,347
Amort of goodwill & other											
Operating Expenses:	9,311	10,765	11,468	11,887	43,431	12,925	14,384	15,448	16,523	59,280	78,038
Operating Profit	9,991	11,003	11,940	12,976	45,910	14,042	15,189	16,390	17,120	62,741	81,767
Interest and other income, net	186	352	505	350	1,393	400	400	400	400	1,600	2,000
Pretax Income	10,177	11,355	12,445	13,326	47,303	14,442	15,589	16,790	17,520	64,341	83,767
Taxes	3,778	3,866	4,316	4,664	16,624	5,055	5,456	5,877	6,132	22,519	29,318
Cum effect of acctg. change	-	-	-	-	-	-	-	-	-	-	-
Net Income	\$ 6,399	\$ 7,489	\$ 8,129	\$ 8,662	\$ 30,679	\$ 9,387	\$ 10,133	\$ 10,914	\$ 11,388	\$ 41,822	\$ 54,448
EPS	\$ 0.25	\$ 0.29	\$ 0.32	\$ 0.34	\$ 1.20	\$ 0.36	\$ 0.38	\$ 0.41	\$ 0.42	\$ 1.58	\$ 1.98
Diluted shares outstanding	25,564	25,585	25,572	25,822	25,636	26,072	26,322	26,572	26,822	26,447	27,447
Interest Income	186	352	505	350	1,393	400	400	400	400	1,600	2,000
Depreciation Expense				1,770	1,770	1,915	2,030	2,110	2,190	8,244	10,255
Amortization Expense			1,290	1,357	2,647	1,436	1,505	1,583	1,632	6,156	7,565
EBITDA	\$ 9,991	\$ 11,003	\$ 13,230	\$ 16,102	\$ 50,326	\$ 17,393	\$ 18,723	\$ 20,083	\$ 20,942	\$ 77,141	\$ 99,586
Ratios											
Company GM	84.1%	84.3%	84.3%	84.3%	84.3%	84.5%	84.5%	84.5%	84.5%	84.5%	84.5%
S&M	16.5%	18.5%	17.0%	16.8%	17.2%	17.2%	18.0%	18.0%	19.0%	18.1%	19.0%
G&A	19.5%	18.3%	19.2%	18.5%	18.9%	18.0%	17.5%	17.0%	16.5%	17.2%	16.3%
R&D	4.6%	4.9%	5.1%	5.0%	4.9%	5.3%	5.6%	6.0%	6.0%	5.7%	6.0%
Operating Expenses	40.6%	41.7%	41.3%	40.3%	41.0%	40.5%	41.1%	41.0%	41.5%	41.1%	41.3%
Company OM	43.5%	42.6%	43.0%	44.0%	43.3%	44.0%	43.4%	43.5%	43.0%	43.4%	43.2%
Depreciation %	0.0%	0.0%	0.0%	6.0%	1.7%	6.0%	5.8%	5.6%	5.5%	5.7%	5.4%
Amortization %	0.0%	0.0%	4.6%	4.6%	2.5%	4.5%	4.3%	4.2%	4.1%	4.3%	4.0%
EBITA Margin	43.5%	42.6%	47.6%	54.6%	47.5%	54.5%	53.5%	53.3%	52.6%	53.4%	52.7%
Tax Rate	37.1%	34.0%	34.7%	35.0%	35.1%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Growth											
Revenue -- YOY	51%	52%	47%	44%	48%	39%	35%	36%	36%	36%	31%
Revenue -- Sequential	12%	13%	8%	6%	8%	8%	10%	8%	6%	6%	6%
EPS -- YOY	23%	24%	13%	5%	15%	44%	32%	29%	27%	32%	25%

j2 Global Communications Inc.

	1Q04	2Q04	3Q04	4Q04E	FY04	1Q05E	2Q05E	3Q05E	4Q05E	FY05E	FY06E
Balance Sheet -- (\$000)											
Current Assets											
Cash & equivalents	46,989	50,925	42,343	54,474	54,474	66,040	78,677	92,192	107,842	107,842	177,402
Short-term investments	6,446	5,219	12,738	12,738	12,738	12,738	12,738	12,738	12,738	12,738	12,738
Net Receivables	7,509	8,059	8,843	9,505	9,505	10,638	11,666	12,560	13,271	13,271	17,045
Unbilled revenue											
Inventory											
Pre-paid expenses & other	2,833	2,618	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747
Pre-paid maintenance											
Deferred acquisition costs											
Deferred income taxes	6,426	9,706	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063
Total Current Assets	\$ 70,203	\$ 76,527	\$ 71,734	\$ 84,526	\$ 84,526	\$ 97,226	\$ 110,891	\$ 125,300	\$ 141,661	\$ 141,661	\$ 219,334
Long-term investments	13,944	18,026	28,806	28,806	28,806	28,806	28,806	28,806	28,806	28,806	28,806
Furniture, Fixtures & Equip.	6,305	6,921	8,670	8,757	8,757	8,844	8,933	9,022	9,112	9,112	9,482
Goodwill	15,616	19,104	19,975	18,975	18,975	17,975	16,975	15,975	14,975	14,975	10,975
Other purchased intangibles	7,466	8,613	10,916	10,916	10,916	10,916	10,916	10,916	10,916	10,916	10,916
Deferred income taxes	6,046	-	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967	1,967
Deferred contract costs											
Software development costs											
Other assets	284	294	213	213	213	635	635	635	635	635	635
Total Assets	\$ 119,864	\$ 129,485	\$ 142,281	\$ 154,160	\$ 154,160	\$ 166,369	\$ 179,123	\$ 192,621	\$ 208,072	\$ 208,072	\$ 282,116
Liabilities and Shareholders' Equity											
Accs pybl & accrued exp	3,984	5,016	5,368	5,636	5,636	5,918	6,214	6,525	6,851	6,851	8,328
Payroll related accruals											
Other accrued liabilities											
Property and other taxes											
Current LT debt & cap leases	530	553	1,699	1,767	1,767	1,838	1,911	1,988	2,067	2,067	2,418
Current portion of notes payable											
Other											
Accrued exit costs											
Redeemable prid stock pybl	5,104	5,345	5,606	5,998	5,998	6,358	6,740	7,212	7,716	7,716	9,926
Deferred revenue											
Total Current Liabilities	\$ 9,618	\$ 10,914	\$ 12,673	\$ 13,402	\$ 13,402	\$ 14,114	\$ 14,865	\$ 15,724	\$ 16,635	\$ 16,635	\$ 20,672
Capital lease obligations, net											
Line of Credit											
Other accrued liabilities, net											
LT debt & cap leases											
Redeemable preferred stock payable											
Deferred contract revenue	335	260	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029
Deferred rent											
Deferred tax liability											
Total Liabilities	\$ 9,953	\$ 11,174	\$ 13,702	\$ 14,431	\$ 14,431	\$ 15,143	\$ 15,894	\$ 16,753	\$ 17,664	\$ 17,664	\$ 21,701
Total Stockholders' Equity	\$ 109,911	\$ 118,311	\$ 128,579	\$ 139,729	\$ 139,729	\$ 151,226	\$ 163,229	\$ 175,868	\$ 190,408	\$ 190,408	\$ 260,414
Total Liabilities and Shareholders' Equity	\$ 119,864	\$ 129,485	\$ 142,281	\$ 154,160	\$ 154,160	\$ 166,369	\$ 179,123	\$ 192,621	\$ 208,072	\$ 208,072	\$ 282,116
Ratios											
Book Value/Share	\$ 4.30	\$ 4.62	\$ 5.03	\$ 5.41	\$ 5.41	\$ 5.80	\$ 6.20	\$ 6.62	\$ 7.10	\$ 7.10	\$ 9.36
Tangible Book Value/Share	\$ 3.40	\$ 3.54	\$ 3.82	\$ 4.25	\$ 4.25	\$ 4.69	\$ 5.14	\$ 5.61	\$ 6.13	\$ 6.13	\$ 8.57
Cash/Share	\$ 1.84	\$ 1.99	\$ 1.66	\$ 2.11	\$ 2.11	\$ 2.53	\$ 2.99	\$ 3.47	\$ 4.02	\$ 4.02	\$ 6.38
DSOs	29	28	28	29	32	30	30	30	30	33	32
Current Ratio	7.3	7.0	5.7	6.3	6.3	6.9	7.5	8.0	8.5	8.5	10.6
ROE	24.1%	26.3%	26.3%	25.8%	25.3%	25.8%	25.8%	25.7%	24.9%	25.3%	24.2%
Debt/Cap	0%	0%	1%	1%	1%	1%	1%	1%	0%	0%	0%

j2 Global Communications Inc.											
Statement of Cash Flows (\$'000)											
	1Q04	2Q04	3Q04	4Q04E	FY04E	1Q05E	2Q05E	3Q05E	4Q05E	FY05E	FY06E
Net income (Loss)	\$ 6,399	\$ 7,489	\$ 8,129	\$ 8,662	\$ 30,679	\$ 9,387	\$ 10,133	\$ 10,914	\$ 11,388	\$ 41,822	\$ 54,448
Adjustments to recon net loss to net cash											
Depreciation and Amortization	1,028	1,137	1,290	3,127	6,582	3,351	3,535	3,693	3,822	14,400	17,820
Tax benefit of non-qualifying stk opt ex	369	644	1,006	500	2,519	500	500	500	500	2,000	2,000
Compensation in exch for note reduction	43	44	43	43	173	70	70	70	70	280	280
Reversal of def. tax valuation allowance											
Cumulative eff of ch in acc-principle											
Recovery of marketing payment											
Compensation in ex for common st											
Provision for doubtful accounts											
Gain on repurchase of treasury st											
Non-cash income tax expense											
Deferred income tax benefits	3,248	2,765	2,675		8,688						
Other											
Changes in -											
Accounts receivable	(1,237)	(582)	(784)	(662)	(3,265)	(1,133)	(1,028)	(894)	(712)	(3,766)	(3,774)
Asset impairment											
Interest receivable	(17)	(31)			(48)						
Other assets	(295)				(295)						
Prepaid expenses	374	303	(129)		548						
Deferred costs											
Deferred income taxes	(59)	1,034	352	268	1,595	282	296	311	326	1,215	1,476
Accounts payable	399	241	261	392	1,293	360	381	472	505	1,718	2,210
Deferred revenue											
Net Cash Flow - Operating	\$ 10,252	\$ 13,044	\$ 12,843	\$ 12,331	\$ 48,470	\$ 12,817	\$ 13,887	\$ 15,065	\$ 15,899	\$ 57,668	\$ 74,461
Investing											
Purchase of property & equipment	(319)	(1,442)	(1,200)	(1,200)	(4,161)	(1,250)	(1,250)	(1,250)	(1,250)	(5,000)	(5,600)
Purchase of investments	(3,443)	(2,779)									
Acquisition, net of cash	(6,020)	(178)									
Payment of accrued exit costs											
Purchase of intangible assets	(74)	(4,745)			(4,819)						
Proceeds from sale of equipment											
Proceeds from notes receivable, net											
Repayments of notes receivable, net			(2,300)		(2,300)						
Net Cash Flow - Investing	(9,856)	(9,144)	(3,500)	(1,200)	(23,700)	(1,250)	(1,250)	(1,250)	(1,250)	(5,000)	(5,600)
Financing											
Payments on leases											
Proceeds from equipt fin.			(1,100)		(1,100)			(1,300)		(1,300)	
Proceeds from notes payable											
Proceeds from line of credit											
Repay of long-term debt, capital leases	(527)	(307)			(834)						
Payments on mand. preferred stock											
Exercise of stock options & warrants	124	243		1,000	1,367			1,000	1,000	2,000	2,000
Issuance of stock on warrant exerc.											
Purchase of outstanding warrants											
Proceeds from sale of stock											
Costs related to sale of stock	114	97			211						
Proceeds from stock issuance (ess)	(289)	33	(1,100)	1,000	(356)			(300)	1,000	700	700
Net Cash Flow - Financing	46,882	46,989	50,925	42,343	46,882	54,474	66,040	78,677	92,192	54,474	107,842
Cash Beginning	107	3,933	8,243	12,131	24,414	11,567	12,637	13,515	15,649	53,368	69,561
Increase (Dec) cash and equivalents											
Effect of exchange rates on cash											
Cash End	46,989	50,925	42,343	54,474	54,474	66,040	78,677	92,192	107,842	107,842	177,402

Glossary

Broadcast Fax: Sending a single fax message to multiple destinations via an IP network.

CLEC: Competitive Local Exchange Carrier. An alternative to the existing local phone company.

Desktop Fax: A subset of internet fax, in which a single fax message is sent and received from end user to end user without the integration of legacy or ERP systems.

DID: Direct Inward Dialing. A feature that allows an outside caller to dial a phone number that will ring directly to a specific party instead of calling a main phone number. Each workstation is assigned a direct phone number.

Internet Fax: The transmission of fax messages via an IP network.

IP: Internet Protocol.

Junk Fax: Unwanted fax messages. The equivalent of spam email, but for the fax market.

Production Fax: Sending a single or large number of fax messages to one or multiple destinations. Production fax is usually integrated with a back-office legacy or ERP system.

RBOCs: Regional Bell Operating Company. One of the seven Bell operating companies that were formed during the divestiture of AT&T.

Server: A computer program that provides services to other computer programs in the same or other computers. Or, the computer that a server program runs.

SOHO: Small Office/Home Office. This describes businesses that are either run from home or a small office. Software and hardware companies sometimes promote products as being suitable for the SOHO market.

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.

Out of approximately 570 stocks in the Raymond James coverage universe, 51% have Strong Buy or Outperform ratings (Buy), 40% are rated Market Perform (Hold) and 9% are rated Underperform (Sell). Within those rating categories, 37% of the Strong Buy or Outperform (Buy) rated companies either currently are or have been Raymond James Investment Banking clients within the past three years; 19% of the Market Perform (Hold) rated companies are or have been clients and 18% of the Underperform (Sell) rated companies are or have been clients.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks. **The covering analyst and/or research associate owns shares of the common stock of Motorola.**

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

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 capital spending trends in the carrier and enterprise markets. Although spending is showing signs of stabilization, significant further cuts in 2005 could impact group results.

JCOM 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.

@Road Risks:

Economic slowing could impact purchasing decisions of @Road's customers. @Road is increasingly dependent on large deals; if they get delayed, the company could see lower net adds in a quarter. Many competitors target this market.

Risk factors for RealNetworks include technological obsolescence, difficult competitive position against Microsoft (MSFT/\$27.25), uncertain characteristics of media content sourcing, and the pioneering nature of market development.

Webex Specific Risks:

WebEx competes with Microsoft, which has broad reach and deep pockets. Microsoft could get more aggressive in the markets, putting pricing pressure on WebEx eventually.

Verisign Risk Factors:

The company's .net business is up for rebid in mid-2005. Internet usage, while improving, could subside again in the future. The recent Jamba! acquisition brings VeriSign into new markets. Roaming revenue could decline over time given expanding networks and price declines.

Loss Of Large Account

While we believe InfoSpace is well-positioned in the mobile data market, if a carrier decided to replace the company with one or several other content vendors, InfoSpace could lose a substantial revenue source. A loss could go to a competitor in the hosting market, internal solutions, or to a content developer.

Nascent Market

The mobile data market in the U.S. is nascent. As such, while we expect high growth rates, actual rates could vary materially as could pricing and margins on such revenue. For example, the pace of transition to true tones from polyphonic tones is a variable affecting margins.

Search Engines

The power of the leading search engines could increase to a level where metasearch technology becomes less meaningful, or such search companies go the private label route themselves.

Relatively New Strategy

Although visibility appears to be improving, the company is still relatively early in its strategic evolution, having sold and acquired material businesses in the past year.

Lawsuits

The company faces exposure related to actions of the previous management team. If such parties lose their suits and InfoSpace is required to indemnify them, InfoSpace or its insurers could pay out material sums.

Acquisitions

InfoSpace could continue to acquire companies for growth and to round out strategic plans. Acquisitions have inherent risks related to integration.

Tax Rate

While InfoSpace will not likely pay taxes for several years given \$1.3 billion in NOLs, the company may have to report EPS with a tax effect at some point in the next year. This has the potential to create the perception of a higher valuation.

Motorola Risk Factors

Risks to our investment thesis include failure by Motorola to meet demand for new handset models adequately and slower-than-expected adoption of multi-media handsets.

Pfizer

Risks for Pfizer include potential generic competition for drugs including Neurontin for epilepsy and Norvasc for hypertension. New drugs such as Spiriva for lung disorders and Exubera for diabetes may face delays.

Risks Specific To Wells Fargo & Co.

Regulatory risk has increased at Wells Fargo recently, given the heightened level of scrutiny being applied by state regulators in California, as well as consumer advocacy groups. While the economic impact of this risk may be limited, negative developments could have a material adverse impact on the stock price.

Credit risk is present at Wells Fargo, as at any lending institution. Although the company's consumer finance business has drawn considerable fire over the years, the majority of the risk comes from its traditional banking operations. While the company has considerably improved its nonperforming assets ratio over the last year or so, the risk remains that an economic downturn could reverse this trend and put pressure on the company's earnings growth.

Interest rate risk is ever-present at most large banks, and Wells Fargo is no exception. The company's net interest margin has been remarkably stable over the last five years. However, the risk does exist that rate conditions will negatively impact the company's revenue and earnings growth potential.

Wells Fargo's private equity portfolio created considerable volatility in the company's earnings stream during 2001. Given the state of the stock market, it is likely that further volatility will be experienced in this line of business, and losses could result. We believe we have appropriately factored this into our valuation assumptions, and assume very little in the way of private equity gains going forward.

A large percentage of the company's franchise is in California, which is perceived as being weaker than the national economy due to its association with the technology sector. While Wells Fargo is clearly exposed to the state of the California economy, about two-thirds of its operations are outside of California, providing more geographic diversity than many people realize. Furthermore, most data from California shows that its economy is performing roughly in line with the national economy by most measures.

Investors should consider this report as only a single factor in making their investment decision.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

The Raymond James Technology Research Team

Robert P. Anastasi, CFA, Director of Equity Research (727) 567-2286

Brian G. Alexander, CFA, CPA, Technology Distribution (727) 567-2312

Brian Gesuale, Government IT & Homeland Security (727) 567-2287

Ashok Kumar, CFA, Semiconductors/Enterprise Hardware (650) 614-4007

Mike Latimore, Communications Software (404) 442-5862

John T. Mahoney, IT Services (727) 567-2565

Chris Quilty, Defense Electronics/Mobile Data Technology (727) 567-2602

Jonathan Ruykhaver, CFA, Infrastructure Software (727) 567-2498

Shawn Severson, Electronic Manufacturing Services/Components (727) 567-2682

J. Steven Smigie, Electronic Manufacturing Services/Components (727) 567-2557

Sr. Research Associates **Justin Cadman, Doug Thompson**

Research Associates **Robert Arditi, Israel Eissler, Bob Gruendyke, Greg Lee, Yixin Lin, David Nazaret, Shyam Patil**

Raymond James Investment Ratings

- 1. Strong Buy** 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 twelve months.*
- 2. Outperform** Expected to appreciate and outperform the S&P 500 over the next twelve 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 twelve months.*
- 3. Market Perform** Expected to perform generally in line with the S&P 500 over the next twelve months and is potentially a source of funds for more highly rated securities.
- 4. Underperform** Expected to underperform the S&P 500 or its sector over the next six to twelve months and should be sold.

Suitability ratings are not assigned to stocks rated Underperform. Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

Suitability Categories

Total Return (TR)	More conservative investments with dividend yields of 2.5% or more and favorable appreciation prospects.
Growth (G)	Quality companies with well-above-average appreciation potential, quarterly earnings consistency, and possibly a small dividend.
Aggressive Growth (AG)	Companies with rapid growth potential and accompanying higher risks.
Cyclical (C)	Companies with fundamentals that are unusually sensitive to changes in major economic trends.
Speculative (S)	Small companies with high risks including variable earnings, financial and competitive factors as well as liquidity issues.
Venture Risk (VR)	Newer companies with a short, unprofitable operating history, limited revenues, and a much higher-than-normal risk associated with success.