



REQUIRED DISCLOSURES
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AND DISCLOSURES

equity research

August 11, 2004

j2 Global Communications, Inc.

Mid-Quarter Update – j2 Global

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JCOM: Nasdaq
Over Weight

Price	\$23.35
Price Range (52 weeks)	\$18.82 - \$47.91
Shares Outstanding (millions)	25.6
Market Capitalization (millions)	\$598
Average Daily Volume (000's)	658

Year	Revenue (millions)	Operating Margin	Operating EPS*	P/E Ratio
12/03A	\$71.6	38.0%	\$1.04	22x
12/04E	\$107.2	44.5%	\$1.19	20x
12/05E	\$144.3	44.4%	\$1.54	15x

Year	Quarterly Earnings*			
	Q1	Q2	Q3	Q4
12/03A	\$0.20	\$0.24	\$0.28	\$0.32
12/04E	\$0.25	\$0.29A	\$0.31	\$0.35
12/05E	\$0.35	\$0.37	\$0.39	\$0.42



* 2003 EPS is taxed at 5.0%. 2004 and 2005 EPS fully taxed at 37%.

Chart Source: Nasdaq.com

We have provided a mid-September quarter update below on the Company's operations and expected Q3:04 results, based on our recent conversations with members of the JCOM management team.

Summary

- We are expecting another solid quarter out of j2 Global.
- Business at JCOM has strongly accelerated over the past few quarters and we believe the quality of the Company's revenue stream remains very strong.
- The Company has already met several of its customer generation goals for the year.
- We anticipate JCOM will report a strong September quarter based on accelerating free-to-paid customer conversations; our initial forecast of 36,000 is likely to prove too conservative.
- We expect churn is likely to remain at very low levels.
- We believe operating leverage benefits are again being seen in the JCOM model, with major operating spending increases now behind the Company.

We continue to believe JCOM's business fundamentals are strengthening and we expect the Company will report another strong quarter of growth and profitability in Q3. We are currently estimating sequential top line revenue growth of 8.5% to \$28.0 million with EPS at \$0.31 per share. Regarding top line growth at JCOM, we believe the following points are important to note:

- **JCOM's Business has Seen Accelerating Growth** – Sequential growth during the June quarter was 12.6%, up from 12.1% during the March quarter and 8.3% in the December 2003 quarter. The sequential growth rate achieved during the June quarter exceeded all sequential quarterly growth rates at the Company during 2002 and 2003.
- **Free to Paid Conversations Expected to Accelerate** - With approximately 1.7 million free customers added during the March and June quarters, we are expecting an acceleration in paid net line additions during the current September quarter and upcoming December and March quarters. Typically, JCOM begins to realize free-to-paid customer conversations after approximately 90 days of free usage by a potential customer. We believe the Company is now beginning to see these conversations take place. We are currently forecasting approximately 36,000 paid additions for the September quarter, compared to approximately 34,000 seen during both the June and March quarters. Based on our recent conversations with management, we now believe our current September forecast will likely prove too low.
- **Quality of Revenue Growth Remains Strong** – We are very positive relative to the improving quality of incremental revenue gains seen over the past few quarters. Specifically, over the past four quarters, licensing revenues have fallen and advertising revenues have generally been flat with the exception of the March 2004 quarter, which was up by approximately \$146,000. With little growth contribution from these two areas, top line growth at JCOM has almost exclusively been generated by recurring monthly services fees, which in our opinion, are much more sustainable than revenues from either of the other two sources.
- **Churn Rate Continues to Fall** – JCOM's management team has released churn statistics for the past eight quarters, with churn percentage results declining during seven of the past eight quarters. During the December quarter of 2003, JCOM implemented the most important phase of its approximate 33% price increase, which caused churn to grow to 3.2%, from 2.8% during the previous quarter. Since that time, churn has fallen to well below historic levels. For the September quarter, we are expecting churn to remain near these very low levels, although it is unclear to us at this time whether the Company will be able to make further significant improvements to what we believe is an already very low churn number.
- **Operating Leverage Expected to Return** - Over the past few quarters, investors have seen j2 Global significantly increase its operating expenses in order to boost its number of free customer additions, with an incremental operating expense increase of approximately \$886,000 during the March quarter and just under \$1.5 million during the June quarter. Based on the Company's results over the past few quarters, it is clear to us this incremental spending has paid off for JCOM. We are expecting flat to only slightly up spending on sales and marketing for the September quarter. Specifically, spending levels in this area during the June quarter were approximately 18.5% of total revenue. We are expecting this spending level to fall to 17.1% during the September quarter and to fall further during the December quarter to 16.0%. We expect blended sales and marketing spending for the full year 2005 to be in the area of 15.3%, according to our estimates. We are expecting a similar, but less dramatic trend in both R&D and G&A expense spending going forward.
- **Valuation** – With top line growth during 2003 of 49% and expected top line growth for 2004 and 2005 of 50% and 35%, respectively, we believe these shares continue to be significantly undervalued trading at 19.5X our fully-taxed EPS of \$1.19 and at only 15X our fully-taxed 2005 EPS of \$1.54. Our EPS forecasts for 2004 and 2005 represent expected EPS growth rates of approximately 73% and 30%, respectively, resulting in what we believe to be very attractive PE to EPS growth ratios (PEG) of 0.3x and 0.5x, respectively.

j2 Global Communications, Inc. provides value-added messaging and communications services to over 4 million customers worldwide. j2 Global's network spans 800 cities in 18 countries on 5 continents. The Company markets its patented services and software under the eFax, jConnect, HotSend, PaperMaster, Protifax and Documagix brands.

J2 Global Communications, Inc.

Pacific Growth Equities, LLC

FY: Dec.

Quarterly Financial Results and Projections

Joe Noel

Ticker: JCOM:Nasdaq

(\$ in thousands, except ratio and per share data)

415-274-6846

July 19, 2004

	Q1:03A	Q2:03A	Q3:03A	Q4:03A	FY:03A	Q1:04A	Q2:04A	Q3:04E	Q4:04E	FY:04E	Q1:05E	Q2:05E	Q3:05E	Q4:05E	FY:05E
Subscriber	\$14,455	\$16,307	\$17,872	\$19,707	68,341	\$22,062	\$25,063	\$27,309	\$29,675	\$104,109	\$31,752	\$34,038	\$36,523	\$39,299	\$141,613
Advertising	612	609	615	615	2,451	761	647	600	600	2,608	550	550	550	550	2,200
Licensing and other	142	121	416	151	830	119	121	120	120	480	120	120	120	120	480
Revenue	\$15,208	\$17,037	\$18,903	\$20,474	\$71,622	\$22,942	\$25,831	\$28,029	\$30,395	\$107,197	\$32,422	\$34,708	\$37,193	\$39,969	\$144,293
Incremental Revenue	1,184	1,829	1,866	1,571	23,410	2,468	2,889	2,198	2,366	35,575	2,027	2,286	2,485	2,776	37,096
Net Cost of Sales	3,010	3,247	3,494	3,572	13,323	3,640	4,063	4,429	4,863	16,995	5,512	6,074	6,658	7,194	25,438
Gross Profit	12,198	13,790	15,409	16,902	58,299	19,302	21,768	23,600	25,532	90,202	26,910	28,634	30,536	32,775	118,855
S&M Expenses	2,510	2,866	2,897	2,898	11,171	3,779	4,767	4,790	4,850	18,186	5,042	5,276	5,653	6,091	22,062
R&D Expenses	1,026	1,023	1,006	1,140	4,195	1,050	1,264	1,300	1,410	5,024	1,524	1,624	1,748	1,879	6,775
G&A Expenses	3,468	3,743	4,085	4,387	15,683	4,482	4,734	4,880	5,140	19,236	5,836	6,248	6,695	7,194	25,973
Total Operating Expenses	7,004	7,632	7,988	8,425	31,049	9,311	10,765	10,970	11,400	42,446	12,402	13,148	14,096	15,164	54,810
Operating Income	\$5,194	\$6,158	\$7,421	\$8,477	\$27,250	\$9,991	\$11,003	\$12,630	\$14,132	\$47,756	\$14,509	\$15,487	\$16,439	\$17,610	\$64,046
Other Income	74	69	126	150	419	186	352	150	150	838	125	125	125	125	500
Pretax Income	5,268	6,227	7,547	8,627	27,669	10,177	11,355	12,780	14,282	48,594	14,634	15,612	16,564	17,735	64,546
Income Tax Expense	235	280	347	(8,999)	(8,137)	3,778	3,866	639	714	8,997	732	781	828	887	3,227
Preferred Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income GAAP	\$5,033	\$5,947	\$7,200	\$17,626	\$35,806	\$6,399	\$7,489	\$12,141	\$13,568	\$39,597	\$13,902	\$14,831	\$15,736	\$16,849	\$61,318
Net Income (Operations)	5,033	5,947	7,200	8,126	26,306	6,399	7,489	12,141	13,568	39,597	13,902	14,831	15,736	16,849	61,318
EPS GAAP	\$0.20	\$0.24	\$0.28	\$0.69	\$1.42	\$0.25	\$0.29	\$0.47	\$0.53	\$1.54	\$0.53	\$0.56	\$0.59	\$0.63	\$2.32
EPS (Operations)	\$0.20	\$0.24	\$0.28	\$0.32	\$1.04	\$0.25	\$0.29	\$0.47	\$0.53	\$1.54	\$0.53	\$0.56	\$0.59	\$0.63	\$2.32
Fully Diluted Shares	24,697	25,204	25,493	25,670	25,183	25,564	25,585	25,710	25,725	25,646	26,200	26,375	26,450	26,700	26,431
EPS taxed @ 0.37 (Pro-forma)	\$0.14	\$0.16	\$0.19	\$0.21	\$0.69	\$0.25	\$0.28	\$0.31	\$0.35	\$1.19	\$0.35	\$0.37	\$0.39	\$0.42	\$1.54

Margin and Ratio Analysis

Gross Margin	80.2%	80.9%	81.5%	82.6%	81.4%	84.1%	84.3%	84.2%	84.0%	84.1%	83.0%	82.5%	82.1%	82.0%	82.4%
S&M % of Revenues	16.5%	16.8%	15.3%	14.2%	15.6%	16.5%	18.5%	17.1%	16.0%	17.0%	15.6%	15.2%	15.2%	15.2%	15.3%
R&D % of Revenue	6.7%	6.0%	5.3%	5.6%	5.9%	4.6%	4.9%	4.6%	4.6%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
G&A % of Revenues	22.8%	22.0%	21.6%	21.4%	21.9%	19.5%	18.3%	17.4%	16.9%	17.9%	18.0%	18.0%	18.0%	18.0%	18.0%
Operating Margin	34.2%	36.1%	39.3%	41.4%	38.0%	43.5%	42.6%	45.1%	46.5%	44.5%	44.8%	44.6%	44.2%	44.1%	44.4%
Pretax Income Margin	34.6%	36.5%	39.9%	42.1%	38.6%	44.4%	44.0%	45.6%	47.0%	45.3%	45.1%	45.0%	44.5%	44.4%	44.7%
Income Tax Rate	4.5%	4.5%	4.6%	-104.3%	-29.4%	37.1%	34.0%	5.0%	5.0%	18.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Income Margin - Operations	33.1%	34.9%	38.1%	39.7%	36.7%	27.9%	29.0%	43.3%	44.6%	36.9%	42.9%	42.7%	42.3%	42.2%	42.5%

Year-Over-Year Growth

Subscriber rev	-	-	-	-	-	-	-	-	-	52.3%	43.9%	35.8%	33.7%	32.4%	36.0%
Revenue	46.5%	50.7%	51.2%	46.0%	48.6%	50.9%	51.6%	48.3%	48.5%	49.7%	41.3%	34.4%	32.7%	31.5%	34.6%
Costs of Sales	-12.5%	20.2%	37.0%	42.3%	18.9%	20.9%	25.1%	26.7%	36.1%	27.6%	51.4%	49.5%	50.3%	47.9%	49.7%
Gross Profit	75.8%	60.3%	54.8%	46.8%	57.5%	58.2%	57.9%	53.2%	51.1%	54.7%	39.4%	31.5%	29.4%	28.4%	31.8%
Operating Income	238.4%	99.5%	92.7%	55.7%	95.8%	92.4%	78.7%	70.2%	66.7%	75.3%	45.2%	40.8%	30.2%	24.6%	34.1%
Pretax Income	202.6%	87.6%	92.8%	57.0%	91.2%	93.2%	82.4%	69.3%	65.5%	75.6%	43.8%	37.5%	29.6%	24.2%	32.8%
Net Income Operations	209.2%	79.2%	84.0%	74.8%	94.7%	27.1%	25.9%	68.6%	67.0%	50.5%	117.3%	98.0%	29.6%	24.2%	54.9%

Sequential Growth

Subscriber rev	-	12.8%	9.6%	10.3%	-	12.0%	13.6%	9.0%	8.7%	-	7.0%	7.2%	7.3%	7.6%	-
Revenue	8.4%	12.0%	11.0%	8.3%	-	12.1%	12.6%	8.5%	8.4%	-	6.7%	7.1%	7.2%	7.5%	-
Costs of Sales	19.9%	7.9%	7.6%	2.2%	-	1.9%	11.6%	9.0%	9.8%	-	13.3%	10.2%	9.6%	8.1%	-
Gross Profit	5.9%	13.1%	11.7%	9.7%	-	14.2%	12.8%	8.4%	8.2%	-	5.4%	6.4%	6.6%	7.3%	-
Operating Income	-4.6%	18.6%	20.5%	14.2%	-	17.9%	10.1%	14.8%	11.9%	-	2.7%	6.7%	6.2%	7.1%	-
Pretax Income	-4.1%	18.2%	21.2%	14.3%	-	18.0%	11.6%	12.6%	11.7%	-	2.5%	6.7%	6.1%	7.1%	-
Net Income - Operations	8.2%	18.2%	21.1%	12.9%	-	-21.3%	17.0%	62.1%	11.7%	-	2.5%	6.7%	6.1%	7.1%	-

Appendix A **Required Disclosures**

11-Aug-2004 09:15:29 AM

Disclosures for J2 Global Communications (JCOM)

Pacific Growth Equities, LLC was making a market in the securities of J2 Global Communications (JCOM) at the time of this report.

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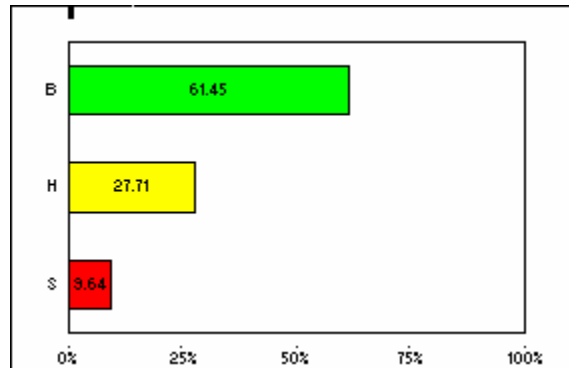
JCOM - J2 Global Communications - 10-Aug-2004

Date	Price	Rating
9/11/2002	21.34	O

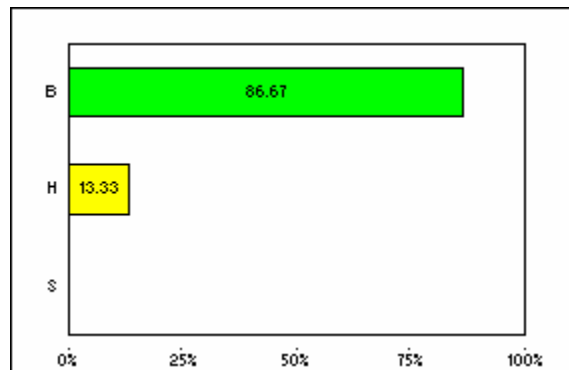


Research Ratings Distribution

Ratings - All - 10-Aug-2004		
Rating	Qty	Pct
-	2	1.20
B	102	61.45
H	46	27.71
S	16	9.64



Ratings - Transactions in the Last 12 Months - 10-Aug-2004		
Rating	Qty	Pct
B	13	86.67
H	2	13.33
S	0	0.00



Ratings Definitions - Current (Effective 09-Jul-2002)		
O	Over Weight	The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
E	Equal Weight	The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
U	Under Weight	The stock's total return is expected to be below the average total return of the analyst's industry (or the industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Ratings Definitions - Legacy		
SB	Strong Buy	>25% growth in next 12 mos. Or significantly outperform market (aggressively buy stock)
B	Buy	10-25% growth in next 12 mos. or outperform market (establish new investment positions)
LT	Long-term Buy	Growth expected, may take longer; earlier stage tech/science (establish new investment positions)
MP	Market Perform	Performance expected to be in line with market at best.
N	Neutral	No growth expected or perform in line with market at best (do not establish new positions)
A	Avoid	Decline in next 12 months or significantly underperform market (sell stock in portfolios)

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