PACIFIC GROWTH EQUITIES

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equity research

February 2, 2005

j2 Global Communications, Inc.

Initiating 2006 Estimates with EPS of $2.01 – Q4:04 Earnings Preview

We Believe Shares are Fundamentally Undervalued

Joe Noel
(415) 274-6846
jnoel@pacgrow.com

Carrie A. Snyder
(415) 274-6818
csnyder@pacgrow.com

JCOM: Nasdaq
Over Weight

Price	$33.11
Price Range (52 weeks)	$18.82 - $36.35
Shares Outstanding (millions)	25.6
Market Capitalization (millions)	$848
Average Daily Volume (000's)	533

Year	Revenue (millions)	Operating Margin	Operating EPS	P/E Ratio
12/04E	$106.6	43.8%	$1.22	27x
12/05E	$148.6	45.0%	$1.65	20x
12/06E	$189.9	45.4%	$2.01	16x

Quarterly Earnings

Year	Q1	Q2	Q3	Q4
12/04E	$0.25A	$0.29A	$0.32A	$0.35
12/05E	$0.37	$0.39	$0.43	$0.46
12/06E	$0.48	$0.50	$0.51	$0.53

Chart Source: Nasdaq.com

Summary

- We are expecting another strong earnings report from JCOM on February 3rd when the Company announces fourth quarter and full year 2004 results, and are recommending investors buy shares of JCOM prior to tomorrow's scheduled earnings call.

- We believe JCOM's market remains strong and is expanding. Furthermore, the Company continues to face only very weak competition, in our view.

- With this report, we are publishing our 2006 estimates for the first time. Specifically, we are looking for 2006 revenues of $190 million and fully taxed EPS of $2.01.

- Shares of JCOM remain a solid value, in our opinion, trading at 20X our 2005 estimate of $1.65 and 16X our 2006 EPS estimate of $2.01.

- We believe shares of JCOM are fundamentally undervalued considering the Company's commanding dominance of its market niche with little effective competition, an expanding product line, 30 consecutive quarters of revenue growth, 11 consecutive quarters of earnings growth, expanding margins (84% gross margins and 41% operating margins in Q3:04) and consistently strong free cash flow ($12 million in Q3:04).

The Details

- **We are expecting December quarter results to meet or exceed Company guidance and we anticipate robust guidance for Q1:05 and the full year 2005.** On its third quarter earnings call, the Company guided to fourth quarter revenues of $29.5 million and $0.34 in EPS, with full year 2004 guidance of $106 million in revenues and $1.20 in EPS. We are currently looking for December quarter revenues of $30 million and $0.35 in EPS. Our full year 2004 revenue number is $106.6 million and $1.22 in EPS.

- **We are expecting continued strong ARPU.** While the Company experienced a slight weakness in its variable usage service category during the September quarter, we believe JCOM's operations strengthened in the fourth quarter.

- **We believe gross margins remain strong.** Once again, we are expecting strong gross margins. Throughout 2004, gross margins at JCOM have remained steady at over 84%. We expect this figure continued to remain strong in Q4:04, and have currently modeled for gross margins of 84.2% in the December quarter. Although our model currently shows a slight decline in this metric for 2005, we believe its possible we have been overly conservative in our modeling of 2005 gross margins.

- **The fax market continues to be robust and has seen little or no degradation, in our opinion.** While many investors have expressed concern about the general industry transition away from facsimile and toward increasing email use, we believe the fax market has experienced little degradation over the past few years. In our view, discussions of a declining fax market represent a theoretical argument only and, in the case of JCOM, we would note that to date, we believe the Company has captured significantly less than 5% of its total addressable constituency. With this in mind, we conclude that the Company possesses ample opportunity to significantly grow its revenue base well into the future given what we estimate to be the overall approximate $40 billion size of the global fax market.

- **We believe new products and product expansion should accelerate revenue growth.** JCOM recently launched several new products over the past few quarters, including Evoice and OneBox, acquired several small companies, and announced the expansion of its eFax® service in three additional languages; Spanish, German and French. In addition, the Company continues to expand its geographic footprint. We believe these efforts should support continued revenue growth at the Company.

- **We expect the churn rate to remain low.** JCOM's management team has released churn statistics for the past nine quarters, with churn percentage results declining in all but two of these periods. For the past two quarters, the Company has brought the churn rate down, to 2.4% in Q2:04 and 2.6% in Q3:04, and we expect this figure to remain near these very low levels. It is, however, 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.

- **We expect operating leverage to increase.** We are expecting management to once again contain operating expenses in Q4:04. Over the past few quarters, j2 Global has significantly increased its operating expenses in order to grow the number of free customer additions, including an incremental operating expense increase of approximately $886,000 during the March quarter, just under $1.5 million during the June quarter and $703,000 in the third quarter. Based on the Company's results over the past few quarters, it is apparent to us this incremental spending has paid off for JCOM. We are expecting flat to only slightly up spending on operating expenses for the December quarter. Specifically, spending levels in this area during the September quarter were approximately 41.3% of total revenue, and we are expecting this spending level to fall to approximately 38.6% during the fourth and to decline further throughout 2005.

- **Operating Margins** - Based on our assumptions for gross margins and operating expense levels as outlined above, we are again expecting JCOM to report sequentially higher operating margins of 45.6% for the fourth quarter, compared to 43.0% in the September quarter, 42.6% in the June quarter and 43.5% reported for the March quarter. Over the past year, operating margins have grown by several percentage points.

- **Valuation.** With top line growth during 2003 of 49% and expected top line growth for 2004 continuing in the 50% range, and about 40% top line growth in 2005 per our estimates, we believe these shares are currently undervalued trading at 27X our fully-taxed 2004 EPS number of $1.22 and at only 20X our fully-taxed 2005 EPS estimate of $1.65. Our EPS forecasts for 2004 and 2005 represent expected EPS growth rates of approximately 75% and 36%, respectively, resulting in what we believe to be very attractive PE to EPS growth ratios (PEG) of 0.36x and 0.56x, respectively.

Estimates and Projections for 2006

With this report, we are providing 2006 estimates for the first time as listed below. We have not made any adjustments to our 2005 quarterly and full year estimates at this time.

	Revenue *(Dollars in Millions)*		**Operating EPS**	
Dec FY	Old	**New**	Old	**New**
Q1:06	-	**$44.1**	-	**$0.48**
Q2:06	-	**$46.4**	-	**$0.50**
Q3:06	-	**$48.6**	-	**$0.51**
Q4:06	-	**$50.7**	-	**$0.53**
FY 2006	-	**$189.9**	-	**$2.01**

Founded in 1995, j2 Global Communications, Inc. provides outsourced, value-added messaging and communications services to individuals and businesses around the world. The Company's network spans more than 1,350 cities in 20 countries on five continents. j2 Global offers faxing and voicemail solutions, document management solutions, Web-initiated conference calling, and unified-messaging and communications services. j2 Global markets its services principally under the brand names eFax(R), j2(R), jConnect(R), JFAX(R), eFax Corporate(R), Electric Mail(R), jBlast(R), eFax Broadcast(TM), PaperMaster(R), Consensus(TM), M4 Internet(R), Onebox(R) and Protofax(R).

Joe Noel
(415) 274-6846
jnoel@pacgrow.com

j2 Global Communications, Inc.

Quarterly Financial Results and Projections

(Dollars in thousands, except ratio and per share data)

Pacific Growth Equities, LLC
Joe Noel
415-274-6846

FY: Dec.
Ticker: JCOM:Nasdaq

February 2, 2005	FY:03A	Q1:04A	Q2:04A	Q3:04A	Q4:04E	FY:04E	Q1:05E	Q2:05E	Q3:05E	Q4:05E	FY:05E	Q1:06E	Q2:06E	Q3:06E	Q4:06E	FY:06E
Subscriber	68,341	$22,062	$25,063	$26,985	$29,230	$103,340	$31,650	$34,550	$37,955	$41,515	$145,670	$43,300	$45,600	$47,800	$49,900	$186,600
Advertising	2,451	761	647	668	700	2,776	600	600	600	600	2,400	700	700	700	700	2,800
Licensing and other	830	119	121	118	110	468	126	125	125	130	506	130	130	130	130	520
Revenue	**$71,622**	**$22,942**	**$25,831**	**$27,771**	**$30,040**	**$106,584**	**$32,376**	**$35,275**	**$38,680**	**$42,245**	**$148,576**	**$44,130**	**$46,430**	**$48,630**	**$50,730**	**$189,920**
Cost of sales	13,323	3,640	4,063	4,363	4,746	16,812	5,472	6,173	6,924	7,604	26,172	7,899	8,265	8,656	8,979	33,799
Gross Profit	**58,299**	**19,302**	**21,768**	**23,408**	**25,294**	**89,772**	**26,904**	**29,102**	**31,756**	**34,641**	**122,404**	**36,231**	**38,165**	**39,974**	**41,751**	**156,121**
S&M expenses	11,171	3,779	4,767	4,729	4,790	18,065	5,041	5,503	5,918	6,459	22,921	6,708	7,057	7,343	7,711	28,819
R&D expenses	4,195	1,050	1,264	1,418	1,495	5,227	1,619	1,764	1,895	2,028	7,306	2,118	2,229	2,334	2,435	9,116
G&A expenses	15,683	4,482	4,734	5,321	5,305	19,842	5,569	5,997	6,576	7,182	25,323	7,502	7,847	8,170	8,421	31,940
Total operating expenses	31,049	9,311	10,765	11,468	11,590	43,134	12,228	13,263	14,389	15,669	55,549	16,328	17,133	17,847	18,567	69,875
Operating Income	**$27,250**	**$9,991**	**$11,003**	**$11,940**	**$13,704**	**$46,638**	**$14,676**	**$15,838**	**$17,367**	**$18,972**	**$66,854**	**$19,903**	**$21,033**	**$22,127**	**$23,184**	**$86,246**
Other income	419	186	352	505	350	1,393	125	125	125	125	500	125	125	125	125	500
Pretax income	**27,669**	**10,177**	**11,355**	**12,445**	**14,054**	**48,031**	**14,801**	**15,963**	**17,492**	**19,097**	**67,354**	**20,028**	**21,158**	**22,252**	**23,309**	**86,746**
Income tax expense	(8,137)	3,778	3,866	4,316	4,919	16,879	5,180	5,587	6,122	6,684	23,574	7,010	7,405	7,788	8,158	30,361
Preferred dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income - GAAP	$35,806	$6,399	$7,489	$8,129	$9,135	$31,152	$9,621	$10,376	$11,370	$12,413	$43,780	$13,018	$13,753	$14,464	$15,151	$56,385
Net Income - Operations	26,306	6,399	7,489	8,129	9,135	31,152	9,621	10,376	11,370	12,413	43,780	13,018	13,753	14,464	15,151	56,385
EPS GAAP	**$1.42**	**$0.25**	**$0.29**	**$0.32**	**$0.35**	**$1.22**	**$0.37**	**$0.39**	**$0.43**	**$0.46**	**$1.65**	**$0.48**	**$0.50**	**$0.51**	**$0.53**	**$2.01**
EPS (Operations)	**$1.04**	**$0.25**	**$0.29**	**$0.32**	**$0.35**	**$1.22**	**$0.37**	**$0.39**	**$0.43**	**$0.46**	**$1.65**	**$0.48**	**$0.50**	**$0.51**	**$0.53**	**$2.01**
Fully Diluted Shares	25,183	25,564	25,585	25,572	25,800	25,630	26,000	26,375	26,650	27,000	26,506	27,300	27,700	28,300	28,700	28,000

Source: Company reports and Pacific Growth Equities, LLC.

Margin and Ratio Analysis	FY:03A	Q1:04A	Q2:04A	Q3:04A	Q4:04E	FY:04E	Q1:05E	Q2:05E	Q3:05E	Q4:05E	FY:05E	Q1:06E	Q2:06E	Q3:06E	Q4:06E	FY:06E
Gross Margin	81.4%	84.1%	84.3%	84.3%	84.2%	84.2%	83.1%	82.5%	82.1%	82.0%	82.4%	82.1%	82.2%	82.2%	82.3%	82.2%
S&M % of Revenues	15.6%	16.5%	18.5%	17.0%	15.9%	16.9%	15.6%	15.6%	15.3%	15.3%	15.4%	15.2%	15.2%	15.1%	15.2%	15.2%
R&D % of Revenue	5.9%	4.6%	4.9%	5.1%	5.0%	4.9%	5.0%	5.0%	4.9%	4.8%	4.9%	4.8%	4.8%	4.8%	4.8%	4.8%
G&A % of Revenues	21.9%	19.5%	18.3%	19.2%	17.7%	18.6%	17.2%	17.0%	17.0%	17.0%	17.0%	17.0%	16.9%	16.8%	16.6%	16.8%
Operating Margin	38.0%	43.5%	42.6%	43.0%	45.6%	43.8%	45.3%	44.9%	44.9%	44.9%	45.0%	45.1%	45.3%	45.5%	45.7%	45.4%
Pretax Income Margin	38.6%	44.4%	44.0%	44.8%	46.8%	45.1%	45.7%	45.3%	45.2%	45.2%	45.3%	45.4%	45.6%	45.8%	45.9%	45.7%
Income Tax Rate	-29.4%	37.1%	34.0%	34.7%	35.0%	35.1%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income - Operations	36.7%	27.9%	29.0%	29.3%	30.4%	29.2%	29.7%	29.4%	29.4%	29.4%	29.5%	29.5%	29.6%	29.7%	29.9%	29.7%
Year-Over-Year Growth																
Subscriber rev	-	-	-	-	-	51.2%	43.5%	37.9%	40.7%	42.0%	41.0%	36.8%	32.0%	25.9%	20.2%	28.1%
Revenue	48.6%	50.9%	51.6%	46.9%	46.7%	48.8%	41.1%	36.6%	39.3%	40.6%	39.4%	36.3%	31.6%	25.7%	20.1%	27.8%
Costs of Sales	18.9%	20.9%	25.1%	24.9%	32.9%	26.2%	50.3%	51.9%	58.7%	60.2%	55.7%	44.4%	33.9%	25.0%	18.1%	29.1%
Gross Profit	57.5%	58.2%	57.9%	51.9%	49.6%	54.0%	39.4%	33.7%	35.7%	37.0%	36.3%	34.7%	31.1%	25.9%	20.5%	27.5%
Operating Income	95.8%	92.4%	78.7%	60.9%	61.7%	71.1%	46.9%	43.9%	45.5%	38.4%	43.3%	35.6%	32.8%	27.4%	22.2%	29.0%
Pretax Income	91.2%	93.2%	82.4%	64.9%	62.9%	73.6%	45.4%	40.6%	40.6%	35.9%	40.2%	35.3%	32.5%	27.2%	22.1%	28.8%
Net Income Operations	94.7%	27.1%	25.9%	12.9%	12.4%	18.4%	50.3%	38.6%	39.9%	35.9%	40.5%	35.3%	32.5%	27.2%	22.1%	28.8%
Sequential Growth																
Subscriber rev		12.0%	13.6%	7.7%	8.3%		8.3%	9.2%	9.9%	9.4%		4.3%	5.3%	4.8%	4.4%	
Revenue		12.1%	12.6%	7.5%	8.2%		7.8%	9.0%	9.7%	9.2%		4.5%	5.2%	4.7%	4.3%	
Costs of Sales		1.9%	11.6%	7.4%	8.8%		15.3%	12.8%	12.2%	9.8%		3.9%	4.6%	4.7%	3.7%	
Gross Profit		14.2%	12.8%	7.5%	8.1%		6.4%	8.2%	9.1%	9.1%		4.6%	5.3%	4.7%	4.4%	
Operating Income		17.9%	10.1%	8.5%	14.8%		7.1%	7.9%	9.7%	9.2%		4.9%	5.7%	5.2%	4.8%	
Pretax Income		18.0%	11.6%	9.6%	12.9%		5.3%	7.9%	9.6%	9.2%		4.9%	5.6%	5.2%	4.8%	
Net Income - Operations		-21.3%	17.0%	8.5%	12.4%		5.3%	7.9%	9.6%	9.2%		4.9%	5.6%	5.2%	4.8%	

Appendix A
Required Disclosures

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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.

Certification Pursuant to SEC Regulation AC

I, Joe Noel attest that the views expressed in this research report accurately reflect my personal views on the subject security and that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed herein.

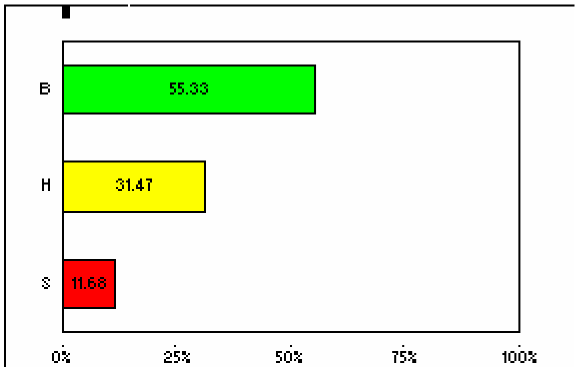
This certification is furnished solely with respect to my obligation under SEC Regulation AC and may not be relied upon or referred to by any other person or entity or for any other purpose. This certification is based upon my knowledge as of the date hereof. I assume no obligation to update this certification to reflect any facts, circumstances or events that may hereafter come to my attention.

A portion of the compensation Pacific Growth Equities, LLC pays the research analyst(s) who prepared the above report(s) is based on (among other factors) the firm's investment banking revenues.

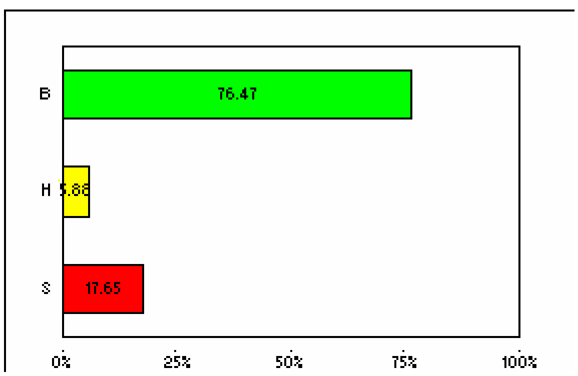
JCOM - J2 Global Communications - 01-Feb-2005		
Date	**Price**	**Rating**
9/11/2002	21.34	O

Research Ratings Distribution

Ratings - All - 01-Feb-2005		
Rating	**Qty**	**Pct**
-	3	1.52
B	109	55.33
H	62	31.47
S	23	11.68



Ratings - Transactions in the Last 12 Months - 01-Feb-2005		
Rating	**Qty**	**Pct**
B	13	76.47
H	1	5.88
S	3	17.65



Joe Noel
(415) 274-6846
jnoel@pacgrow.com

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)

Disclaimer