



STANFORD GROUP COMPANY

5050 Westheimer Road, Houston, Texas 77056

Institutional Equity Research

Company Update

Applied Internet Technologies

Rod Ratliff
901-537-1658
rratliff@stanfordeagle.com

Profile

j2 Global Communications, Inc. provides outsourced, value-added messaging and communications services to more than five million customers around the world. j2 Global's network spans more than 1,400 cities in 22 countries on five continents.

JCOM: 4Q/FY04 results preview

- j2 Global will report 4Q and FY04 financial results on Thursday, February 3 after the close of trading. The Company will host a conference call at 5:00 PM Eastern time to discuss the results. The call can be accessed at 877-407-8289, with an accompanying slide presentation viewable at www.j2global.com.
- Management raised its financial outlook last quarter, which gives us confidence that the Company will meet or exceed street consensus estimates. **We would not expect another guidance increase with this quarter's results, but if one were issued, we would see it as a definite catalyst for the shares.**
- We believe that key points for investors to focus on are:** price stickiness within the existing customer base (any significant erosion in fax ARPU would be a dramatic negative, given ARPU increases in three of the last quarters); indications of faster growth in international revenue with the recent expansion into Asia; and hints of uptake in products outside the core fax business.
- Our estimates for the 4Q04 are for sales and EPS of \$29.6 million and \$0.34, and our estimates are in line with street consensus.
- We currently maintain a BUY opinion on JCOM shares, with a \$42 price objective. This target represents approximately 26x our FY05 EPS estimate, in the upper end of its TTM peak/trough P/E range of 30x-15x, and a discount to the earnings growth rate.

J2 Global Communications

\$32.48/JCOM

Rating: Buy

February 1, 2005



Market Data

52-Week Range	\$36.35 - \$18.82
12-Month Target Price	\$42.00
Market Cap (mil)	\$831
Float	19.2
Institutional Holdings	85%
Average Daily Volume	533,454

Sales/Earnings/Valuation

FY Dec	2003A	Prior 04E	2004E	Prior 05E	2005E
Sales (mil)	\$68		\$103		\$141
EPS	Q1 \$0.10		\$0.25A		\$0.35
	Q2 \$0.16		\$0.29A		\$0.38
	Q3 \$0.19		\$0.32A		\$0.42
	Q4 \$0.22		\$0.34		\$0.46
	Year \$0.71		\$1.20		\$1.61
P/E Ratio	45.7x		27.1x		20.2x

Fundamental Data

Dividend/Yield	nil / nil
LTD % Capitalization	2.0%
Current Year CF / Share	\$1.80
Book Value / Share	\$3.09

All disclosures can be found in the Important Disclosures section of this report.

Exhibit 1: JCOM Quarterly Earnings Model

	Historical FY03	Historical 1Q04	Historical 2Q04	Historical 3Q04	Estimate 4Q04	Estimate FY04	Estimate 1Q05	Estimate 2Q05	Estimate 3Q05	Estimate 4Q05	Estimate FY05
Revenue											
Subscriber	\$68,084	\$22,062	\$25,063	\$26,985	\$28,765	\$102,875	\$30,698	\$33,542	\$36,553	\$39,902	\$140,696
Advertising	2,708	761	647	668	680	2,756	707	753	799	850	3,108
Licensed services/other	830	119	121	118	119	477	121	125	130	134	510
Total	71,622	22,942	25,831	27,771	29,565	106,109	31,526	34,420	37,482	40,886	144,315
Cost of sales											
	13,323	3,640	4,063	4,363	4,642	16,708	5,044	5,507	5,997	6,542	23,090
Gross Profit	58,299	19,302	21,768	23,408	24,923	89,401	26,482	28,913	31,485	34,345	121,224
<i>Gross margin %</i>	81.4%	84.1%	84.3%	84.3%	84.3%	84.3%	84.0%	84.0%	84.0%	84.0%	84.0%
Operating expensees											
Selling	11,171	3,779	4,767	4,729	5,026	18,301	5,753	6,196	6,653	7,155	25,757
<i>% of sales</i>	15.6%	16.5%	18.5%	17.0%	17.0%	17.2%	18.3%	18.0%	17.8%	17.5%	17.8%
R&D	4,195	1,050	1,264	1,418	1,449	5,181	1,576	1,687	1,799	1,922	6,984
<i>% of sales</i>	5.9%	4.6%	4.9%	5.1%	4.9%	4.9%	5.0%	4.9%	4.8%	4.7%	4.8%
G&A	15,683	4,482	4,734	5,321	5,322	19,859	5,596	6,006	6,466	6,951	25,019
<i>% of sales</i>	21.9%	19.5%	18.3%	19.2%	18.0%	18.7%	17.8%	17.5%	17.3%	17.0%	17.3%
Amortization of intangibles	0	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	31,049	9,311	10,765	11,468	11,796	43,340	12,926	13,889	14,918	16,027	57,760
Operating income	27,250	9,991	11,003	11,940	13,127	46,061	13,556	15,024	16,567	18,317	63,465
<i>Operating margin %</i>	38.0%	43.5%	42.6%	43.0%	44.4%	43.4%	43.0%	43.7%	44.2%	44.8%	44.0%
EBITDA	27,250	11,019	12,140	13,230	14,483	50,872	14,970	16,500	18,110	19,934	69,513
<i>EBITDA margin %</i>	38.0%	48.0%	47.0%	47.6%	49.0%	47.9%	47.5%	47.9%	48.3%	48.8%	48.2%
Other income (expense)	419	186	352	505	150	1,193	150	150	150	150	600
EBT	27,669	10,177	11,355	12,445	13,277	47,254	13,706	15,174	16,717	18,467	64,065
Income taxes	(8,137)	3,778	3,866	4,316	4,647	16,607	4,797	5,311	5,851	6,463	22,423
<i>Tax rate</i>	35.0%	37.1%	34.0%	34.7%	35.0%	35.1%	35.0%	35.0%	35.0%	35.0%	35.0%
Net income	\$35,806	\$6,399	\$7,489	\$8,129	\$8,630	\$30,647	\$8,909	\$9,863	\$10,866	\$12,004	\$41,642
Earnings per share											
-- Basic	\$1.58	\$0.28	\$0.32	\$0.35	\$0.37	\$1.32	\$0.38	\$0.42	\$0.46	\$0.50	\$1.76
-- Diluted	\$0.71	\$0.25	\$0.29	\$0.32	\$0.34	\$1.20	\$0.35	\$0.38	\$0.42	\$0.46	\$1.61
Weighted average shares											
-- Basic	22,732	23,121	23,212	23,348	23,448	23,282	23,548	23,648	23,748	23,848	23,698
-- Diluted	25,183	25,564	25,585	25,572	25,672	25,598	25,772	25,872	25,972	26,072	25,922

Source: SEC Documents, Press Releases, and Stanford Group Estimates

IMPORTANT DISCLOSURES**Price Chart****Explanation of Ratings**

- Buy:** Shares expected to increase in price over the coming twelve months.
Hold: Shares expected to be relatively stable in price over the coming twelve months.
Sell: Shares expected to decline in price over the coming twelve months.

Ratings Distribution of Coverage Universe as of December 31st 2004.

Total Universe	Count	Percentage	Investment Banking	Count	Percentage
Buy	89	51.45%	Buy	4	80%
Hold	68	39.31%	Hold	1	20%
Sell	16	9.25%	Sell	0	0%

Stanford Group Company Research Disclosures as of February 1, 2005.

Company	Disclosure
J2 Global Communications	1,6

Research Disclosure Legend

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- 11) Please see below for other relevant disclosures.

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