

Marchex Reports Second Quarter 2006 Financial Results

SEATTLE, WA - August 8, 2006 - Marchex, Inc. (NASDAQ: MCHX, MCHXP) today reported its results for the second quarter ended June 30, 2006.

Consolidated Financial Results:

- Revenue was \$31.7 million for the second quarter of 2006, a 50% increase compared to \$21.2 million for the same period of 2005.
- GAAP net loss applicable to common stockholders was \$612,000 for the second quarter of 2006 or \$0.02 per share, compared to GAAP net income applicable to common stockholders of \$107,000 or \$0.00 per share for the same period of 2005. The second quarter 2006 results included stock-based compensation expense recorded under the fair value method of \$3.4 million compared to stock-based compensation expense of \$497,000 for the same period in 2005.
- We provide a reconciliation of GAAP EPS to Adjusted Non-GAAP EPS in the last financial tables attached to this press release and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures. Adjusted non-GAAP EPS for the second quarter of 2006 was \$0.12, compared to \$0.08 for the same period of 2005. Some Wall Street analysts use non-GAAP measures to analyze our operating results, which may include adjusted non-GAAP EPS, adjusted operating income before amortization and adjusted EBITDA. We present GAAP measures with equal or greater prominence than non-GAAP measures and such non-GAAP measures should not be considered a substitute for, or superior to, GAAP results.
- Adjusted operating income before amortization was \$8.3 million for the second quarter of 2006, which is an increase of 36% compared to \$6.1 million for the same period of 2005. A reconciliation of non-GAAP adjusted operating income before amortization to GAAP operating income (loss) and GAAP net income (loss) is attached to the financial tables included in this release.
- Adjusted EBITDA was \$9.7 million in the second quarter of 2006, which is an increase of 35% compared to \$7.2 million for the same period of 2005. A reconciliation of operating income (loss) before taxes, depreciation, amortization and gain/loss on sales of intangible assets to GAAP net cash provided by operating activities is attached to the financial tables included in this release.

"Marchex has had success by focusing on a combination of unique advertising offerings and high quality traffic sources. Going forward, we will continue to advance our core mission of delivering vertically and locally focused traffic to online merchants," said Russell C. Horowitz, Marchex Chairman and CEO. "We are pleased to see that our hard work on building the platform for our network of more than 200,000 Web sites is helping to create an integrated, vertically focused search and media company."

Updated Statistics and Recent Highlights:

- **Proprietary Traffic:** Marchex today announced that its proprietary network of vertical and local Web sites attracted approximately 28 million unique visitors for the month of June 2006. Unique visitor statistics are based on internal traffic logs, which calculate unique IP (Internet protocol) addresses on an unduplicated basis during a given month. For the second quarter in 2006, revenue attributable to proprietary traffic sources was \$11.1 million.
- **Increased Monetization Rates of Proprietary Advertisers for Proprietary Traffic:** Over the last few months, Marchex has increased its advertisers' exposure to its proprietary network due to the relatively high conversion rates Marchex believes they have experienced, which is evidenced by an increase in monetization trends, or revenue-per-click rates. For example, revenue-per-click rates from Marchex's proprietary advertisers accessing the company's proprietary base of traffic increased 17% in the second quarter of 2006 over the first quarter of 2006.
- **Initial Results from Beta Local and Vertical Web sites which featured Open List integrations:** Marchex today announced the results from the initial launch of its local and vertical Web sites on May 30, 2006, which featured integrations from Marchex's search technology and content aggregation engine, Open List (www.openlist.com). Selected results and trends from 29 beta Web sites are as follows and represent data for the full month of July 2006 versus data for the average of the months of March, April and May 2006, which were the three months prior to launch. Marchex selected July as a comparison month since implementation effects are likely to have taken place during the initial 30 days immediately post-launch:
 - i. Pageviews to these beta Web sites increased more than 175% for the month of July 2006 over the average pageviews for the months of March, April and May 2006;
 - ii. Revenue from these beta Web sites increased more than 75%% for the month of July 2006 over the average revenue for the months of March, April and May 2006;
 - iii. Many of the beta Web sites were indexed by algorithmic search engines, which Marchex believes was due to their deep, highly targeted content that specifically relates to the domain name associated with each Web site; and
 - iv. When the beta Web sites were not indexed by algorithmic search engines, Marchex believes that users who directly navigated to the Web sites found them more useful and subsequently interacted more with the site, which is supported by data that highlights an increase of more than 50% in both monthly pageviews and revenue across many such sites over the prior month averages of March, April and May 2006.
- **Launch of Additional, Enhanced Local and Travel-Related Web Sites:** Marchex today also announced that it has launched enhanced versions of more than 100 local and travel-related Web sites it owns, including the local and vertical Web Sites that it initially released on May 30, 2006. These integrations are powered by Marchex's search and content aggregation platform. These enhanced Web sites include: (i) an improved user interface; (ii) category search capability; (iii) multi-dimensional local search refinements based on personal relevance; (iv) local mapping; (v) related Web site suggestions; (vi) expert third-party reviews; (vii) user-generated reviews; (viii) awards; (ix) detailed

descriptions and feature summaries; (x) targeted pay-per-click advertisements; and (xi) comparison hotel rate information, in certain cases.

- **ZIP Code Web Sites Enhancement and Launch of MyZIP.com:** Marchex announced yesterday that it has launched updated implementations of its more than 75,000 ZIP Code Web sites. An example of an updated implementation can be seen at www.90210.com. Marchex also announced that it has launched MyZIP.com (www.myzip.com) as a destination Web site that covers city and ZIP Code locations across the United States. MyZIP.com will also serve as the umbrella brand and gateway into Marchex's ZIP Code Web sites and the associated city and local content. Powered by Marchex's search technology and content aggregation engine, each of these sites now offer robust hotel, restaurant, travel, local attraction information and reviews targeted to individual locations or ZIP Codes in the United States.
- **Partner, or Third Party, Distribution:** During the quarter, Marchex announced new premium publisher wins for its contextual advertising platform with Briefing.com, Open System Publishers, online newsletter publishers ZDNET, TechRepublic and BNET, as well as renewals with key partners such as The Motley Fool.
- **New Product Introduction:** During the quarter, Marchex also announced the launch of its graphics-based contextual advertising marketplace, IBGraphics. Through the graphical advertising center, Marchex now can offer merchants multiple advertising formats across some of its most valuable advertising inventory.

Marchex Financial Guidance:

Marchex is updating its previous guidance provided on May 30, 2006, as follows:

2006 consolidated revenue range estimate: \$130 million to \$136 million

2006 adjusted operating income before amortization target range: \$33 million to \$38 million

Long-term adjusted operating income before amortization margins: 30% or more

Conference Call and Webcast Information:

Management will hold a conference call, starting at 5:00 p.m. EDT on Tuesday, August 8, 2006 to discuss its second quarter 2006 results and other company updates. To access the call by live Webcast, please log onto the Investor Relations section of the Marchex Web site (www.marchex.com/investors/earningsreleases.html). An archived version of the Webcast will also be available, beginning two hours after completion of the call, at the same location.

About Marchex, Inc.

Marchex (www.marchex.com) is a technology driven search and media company focused on vertical and local online traffic. Specifically, the company is focused on search marketing, local search, and direct navigation. Marchex's platform of integrated performance-based advertising and search marketing services enables merchants to efficiently market and sell their products and

services across multiple online distribution channels, including search engines, product shopping engines, directories and selected Web sites.

Forward looking statements:

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding our strategy, future operations, future financial position, future revenues, acquisitions, projected costs, prospects, plans and objectives of management are forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. There are a number of important factors that could cause Marchex's actual results to differ materially from those indicated by such forward-looking statements which are described in the "Risk Factors" section of our most recent periodic report and registration statement filed with the SEC. All of the information provided in this release is as of August 8, 2006 and Marchex undertakes no duty to update the information provided herein.

Non-GAAP Financial Information:

To supplement Marchex's consolidated financial statements presented in accordance with GAAP and to provide clarity internally and externally, Marchex uses certain non-GAAP measures of financial performance and liquidity, including OIBA, Adjusted OIBA, Adjusted EBITDA and Adjusted non-GAAP EPS. In light of Marchex's AreaConnect and Open List asset acquisitions in 2006 and the Name Development and Pike Street Industries asset acquisitions and IndustryBrains acquisition in 2005, Marchex also provides Pro Forma Revenue information.

OIBA represents income (loss) from operations plus (1) stock-based compensation expense and (2) amortization of acquired intangible assets. This measure, among other things, is one of the primary metrics by which Marchex evaluates the performance of its business. Additionally, Marchex's management uses Adjusted OIBA which excludes any gain/loss on sales of intangible assets as this is viewed as non-recurring in nature. Adjusted OIBA is the basis on which Marchex's internal budgets are based and by which Marchex's management is currently evaluated. Marchex believes these measures are useful to investors because they represent Marchex's consolidated operating results, taking into account depreciation and other intangible amortization, which Marchex believes is an ongoing cost of doing business, but excluding the effects of certain other non-cash and non-recurring expenses. Adjusted EBITDA represents income before interest, income taxes, depreciation, amortization, stock compensation expense, and gain/loss on sales of intangible assets. Marchex believes that Adjusted EBITDA is another alternative measure of liquidity to GAAP net cash provided by operating activities that provides meaningful supplemental information regarding liquidity and is used by Marchex's management to measure its ability to fund operations and its financing obligations.

Adjusted non-GAAP EPS represents Adjusted Net Income divided by weighted average fully diluted shares outstanding for Adjusted non-GAAP EPS purposes. Adjusted Net Income

generally captures those items on the statement of operations that have been, or ultimately will be, settled in cash exclusive of certain non-recurring items and represents net income (loss) available to common shareholders plus: (1) stock based compensation expense, (2) amortization of acquired intangible assets, (3) gain/loss on sales of intangible assets, (4) other income (expense) and (5) the cumulative effect of changes in accounting principles. Adjusted non-GAAP EPS includes dilution from options and warrants per the treasury stock method and includes the weighted average number of all potential common shares relating to convertible preferred stock and restricted stock. Shares outstanding for Adjusted non-GAAP EPS purposes are therefore higher than shares outstanding for GAAP EPS purposes. Financial analysts and investors may use Adjusted non-GAAP EPS to analyze Marchex's financial performance since these groups have historically used EPS related measures, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate a company's operating performance compared to that of other companies in its industry.

Marchex's management believes that investors should have access to, and Marchex is obligated to provide, the same set of tools that management uses in analyzing the company's results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, and should not be considered in isolation, as a substitute for, or superior to, GAAP results. These non-GAAP terms, as defined by Marchex, may not be comparable to similarly titled measures used by other companies. Marchex endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measure with equal or greater prominence, GAAP financial statements and detailed descriptions of the reconciling items and adjustments, including quantifying such items, to derive the non-GAAP measure.

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[Click here to view Marchex's Second Quarter 2006 Financial Tables](#) (.pdf format)