UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 0-25965

J2 GLOBAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-1053457**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

700 S. Flower Street, 15th Floor, Los Angeles, California 90017, (323) 860-9200
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	JCOM	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of the last business day of the registrant's most recently completed second fiscal quarter, the approximate aggregate market value of the common stock held by non-affiliates, based upon the closing price of the common stock as quoted by the Nasdaq Global Select Market was $2,056,955,800. Shares of common stock held by executive officers, directors and holders of more than 5% of the outstanding common stock have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 24, 2021, the registrant had 45,170,544 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held May 7, 2021 are incorporated by reference into Part III of this Form 10-K.

This Annual Report on Form 10-K includes 138 pages with the Index to Exhibits located on page 133.

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PART I

Item 1. Business

Overview

J2 Global, Inc., together with its subsidiaries ("J2 Global", "our", "us" or "we"), is a leading provider of internet information and services. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Our Cloud Services business provides cloud-based subscription services to consumers and businesses including cloud fax, cybersecurity, privacy and marketing technology.

Our Digital Media business generates revenues from advertising and sponsorships, subscription and usage fees, performance marketing and licensing fees. Our Cloud Services business generates revenues primarily from customer subscription and usage fees.

In addition to growing our business organically, on a regular basis we acquire businesses to grow our customer bases, expand and diversify our service offerings, enhance our technologies, acquire skilled personnel and enter into new markets.

Our consolidated revenues are currently generated from three basic business models, each with different financial profiles and variability. Our Digital Media business is driven primarily by advertising revenues, has relatively higher sales and marketing expense and has seasonal strength in the fourth quarter. Our Cloud Services business is driven primarily by subscription revenues that are relatively higher margin, stable and predictable from quarter to quarter with some minor seasonal weakness in the fourth quarter. We continue to pursue additional acquisitions, which may include companies operating under business models that differ from those we operate under today. Such acquisitions could impact our consolidated profit margins and the variability of our revenues.

J2 Global was incorporated in 2014 as a Delaware corporation through the creation of a holding company structure, and our Cloud Services business, operated by our wholly owned subsidiary, J2 Cloud Services, LLC (formerly J2 Cloud Services, Inc.), and its subsidiaries, was founded in 1995.

Digital Media

Our Digital Media business operates a portfolio of web properties and apps which includes IGN, RetailMeNot, Mashable, PCMag, Humble Bundle, Speedtest, Offers, Black Friday, MedPageToday, Everyday Health, BabyCenter and What to Expect, among others. During 2020, our Digital Media web properties attracted approximately 9.1 billion visits and 31.5 billion page views.

Our properties provide trusted reviews of technology, gaming and lifestyle products and services; news and commentary related to their vertical markets; professional networking tools, targeted emails and white papers for IT professionals; speed testing for internet and mobile network connections; online deals and discounts for consumers; news, interactive tools and mobile applications that enable consumers to manage a broad array of health and wellness needs on a daily basis, including medical conditions, pregnancy, diet and fitness; and news, tools and information for healthcare professionals to stay abreast of industry, legislative and regulatory developments across major medical specialties.

Our Digital Media business generates revenues from the sale of display and video advertising; customer clicks to online merchants as well as commissions on sales attributed to clicks to online merchants; business-to-business leads to IT vendors; the licensing of technology, data and other intellectual property to clients; and the sale of subscription services to consumers and businesses.

We believe competitive factors relating to attracting and retaining users include the ability to provide premium and exclusive content and the reach, effectiveness, and efficiency of our marketing services to attract consumers, advertisers, healthcare professionals and publishers. We continue to seek opportunities to acquire additional web properties, both within and outside of the technology, gaming, lifestyle, and healthcare verticals, with the goal of monetizing their audiences and content through application of our proprietary technologies and insight.

Web Properties

Our Digital Media properties and services include the following:

Technology

PCMag is an online resource for laboratory-based product reviews, technology news and buying guides. We operate one of the largest and oldest independent testing facilities for consumer technology products. Founded in 1984, our lab produces more than 2,200 unbiased technology product and service reviews annually. *PCMag's* "Editor's Choice" award is recognized globally as a trusted mark for buyers and sellers of technology products and services.

Mashable.com is a global media brand publishing premium content for individuals interested in technology and culture. Mashable is recognized as a trusted global brand and produces stories for more than a dozen platforms, including Snapchat, Twitter and Facebook.

Ookla provides customers fixed broadband and mobile network testing applications, data and analysis. Over ten million tests are actively initiated by consumers each day across all of Ookla's Speedtest platforms, with more than 34 billion completed to date. As a result, Ookla maintains comprehensive analytics on worldwide internet performance and accessibility. Ookla solutions have been adopted by a significant number of internet service providers and mobile carriers worldwide and have been translated into over 30 languages for use by thousands of businesses, governments, universities and trade organizations.

Ekahau provides solutions for enterprise wireless network design and troubleshooting. More than 15,000 customers run their networks with Ekahau's Wi-Fi planning and measurement solutions, which design and manage superior wireless networks by seeking to minimize network deployment time and establish sufficient wireless coverage across the network.

Downdetector offers real-time overviews of status information and outages for services and digital products that consumers use every day. Downdetector aims to track any service that its users consider vital to their everyday lives, including (but not limited to) internet providers, mobile providers, airlines, banks, public transport and other online services.

Spiceworks Ziff Davis B2B provides digital content for buyers of information technology (IT) products and services, allowing IT vendors to identify, reach and influence corporate IT decision makers who are actively researching specific IT purchases.

Shopping

RetailMeNot is a savings destination that influences consumer purchase decisions through savings and discount opportunities by connecting retail partners representing more than 70,000 national and international brands with consumer shopping audiences. RetailMeNot promotional media solutions include mobile coupons and codes, cash back offers and browser extensions.

Offers.com is a coupons & deals website featuring offers from more than 16,000 of the internet's more popular stores and brands. Offers.com's objective is to help consumers find the best deals on the web. Additionally, Offers.com employs a process to verify that its coupon codes work, saving consumers time and money.

BlackFriday.com, TheBlackFriday.com, BestBlackFriday.com and DealsofAmerica.com are resources for shoppers to find the best deals and offers from retailers during the height of the holiday shopping season.

Gaming

IGN Entertainment is an internet media brand focused on the video game and entertainment enthusiast markets. IGN reaches more than 254 million monthly users across 28 platforms and is followed by more than 47 million social and YouTube followers with 500 million minutes watched monthly.

HumbleBundle.com is a digital subscription and storefront for video games, ebooks, and software. Customers purchase monthly subscriptions, product bundles, and individual products through our website. In addition, raising money for charity is a core mission for Humble Bundle. Each product sale transaction at Humble Bundle results in a charitable contribution.

Healthcare

Everyday Health Group properties include a collection of health and wellness content and services for the consumer, expecting and new parents and healthcare professionals.

Everyday Health Consumer

Consumer-focused properties include online content, news, interactive tools and applications designed to allow consumers to manage a broad array of health and wellness needs on a daily basis. *Everyday Health*, our flagship brand, is a broad-based health information portal that provides consumers with trusted and actionable health and wellness information intended to empower users to better manage their health and wellness.

The Mayo Clinic Diet is a digital program, a subscription-based plan for weight loss, and ultimately better health, developed by the weight loss experts at Mayo Clinic. Based on the bestselling book by the same name, the *Mayo Clinic Diet* digital program provides a step-by-step program to jump-start quick weight loss, achieve a goal weight and maintain it for life.

Everyday Health Pregnancy & Parenting

BabyCenter is the leading global digital pregnancy and parenting resource. *BabyCenter* operates 10 international versions in nine different languages delivered via websites, mobile apps and online communities. We also operate the digital properties for the *What to Expect* brand, a leading pregnancy and parenting media resource. Based on the best-selling pregnancy book, *What to Expect When You're Expecting*, by author Heidi Murkoff, the *What to Expect* website and mobile applications contain interactive content on conception planning and pregnancy, as well as information on raising newborns and toddlers.

Everyday Health Professional

For healthcare professionals, we provide digital content that enables healthcare professionals to stay abreast of clinical, industry, legislative and regulatory developments across all major medical specialties. Our flagship professional property, *MedPage Today*, delivers daily breaking medical news across all major medical specialties and major public policy developments from Washington D.C. *MedPage Today* coordinates with leading researchers, clinicians and academic medical centers to aid in gathering in-depth information for its coverage. *MedPage Today's* excellence has been recognized with awards from the American Society of Healthcare Business Editors, the National Institute for Healthcare Management, the eHealthcare Leadership Awards, the Medical Marketing and Media Awards and the Web Health Awards. Additionally, *MedPage Today* was named as a finalist for the Jesse M. Neal Award and the Gerald M. Loeb Award.

PRIME Education provides accredited continuing medical education ("CME") and continuing education ("CE") programs to healthcare professionals. PRIME is nationally recognized for its healthcare outcomes research and its conduct of research-informed and other CME and CE programs in various therapeutic areas. For two of the last four years, PRIME has been honored by the Alliance for Continuing Education in the Health Professions as winner of the William Campbell Felch Award for Outstanding Research in Continuing Education ("CE").

Subscriptions

We offer subscriptions to businesses for Speedtest Intelligence, which offers up-to-date insights into global fixed broadband and mobile performance data. We offer subscriptions to consumers for our *Mayo Clinic Diet* program, PCMag Digital Edition and Humble Bundle.

Display and Video Advertising

We sell online display and video advertising on our owned-and-operated web properties and on third party sites.

We have contractual arrangements with advertisers either directly or through agencies. The terms of these contracts specify the price of the advertising to be sold and the volume of advertisements that will be served over the course of a campaign.

In addition to the contracts with advertisers and agencies, we have contractual arrangements with certain third party websites not owned by us and third party advertising networks to deliver online display and video advertising to their websites or to third-party sites.

Performance Marketing

We generate business-to-business leads for IT vendors through the marketing of content, including white papers and webinars, and offer additional lead qualification and nurturing services. On the consumer side, we generate clicks to online merchants by promoting deals and discounts on our web properties.

Licensing

We license our proprietary technology, data and intellectual property to third parties for various purposes. For instance, we will license the right to use PCMag's "Editors' Choice" logo and other copyrighted editorial content to businesses whose products have earned such distinction.

Competition

Competition in the digital media space is fierce and continues to intensify.

Our digital media business competes with diversified internet and digital media companies like IAC/InterActiveCorp, Red Ventures, Internet Brands and others as well as with other sellers of advertising including Google, Facebook, and others. We believe that the primary competitive factors determining our success in the market for our digital media include the reputation of brands as trusted sources of objective information and our ability to attract internet users and advertisers to our web properties and our expertise in multiple methods of monetization.

For more information regarding the competition that we face, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Cloud Services

Consumers and businesses of all sizes are increasingly subscribing to cloud-based services to meet their communication, messaging, security, privacy, customer marketing and other needs. Cloud-based services represent a model for delivering and consuming, independent of location, real time business technology services, resources and solutions over the internet. Their goal is to reduce or eliminate costs, increase sales and enhance productivity, mobility, business continuity and security. Our *eFax*®, *MyFax*® and *sFax*® fax services enable users to securely send and receive faxes via the internet and email. Our *Vipre* security and *Inspired eLearning* cybersecurity solutions protect our customers from cyber threats with endpoint and email security, threat intelligence and security awareness training. *IPVanish* and *Encrypt.me* provide virtual private networks that encrypt our customers' data and activity on the internet. *Livedrive*® enables our customers to securely back up their data and dispose of tape or other physical systems. *Campaigner*®, *iContact,* and *SMTP* provide our customers enhanced email marketing and delivery solutions. *eVoice*® and *Line2* provide our customers a virtual phone system with various available enhancements. We believe these services represent more efficient and less expensive solutions than many existing alternatives, and provide increased security, privacy, flexibility and mobility.

We generate substantially all of our Cloud Services revenues from "fixed" subscription revenues for basic customer subscriptions and, to a lesser extent, "variable" usage revenues generated from actual usage by our subscribers. In addition, the cost structures of all our Cloud Services are very similar in terms of fixed and variable components and include capital expenditures that are in proportion to revenue for each product offering.

We market our Cloud Services offerings to a broad spectrum of prospective business customers including sole proprietors, small to medium-sized businesses, enterprises and government organizations. We also market our Cloud Services offerings to consumers. Our marketing efforts include enhancing brand awareness; utilizing online advertising, search engines and affiliate programs; selling through both a telesales and direct sales force; and working with resellers and other channel partners. We continuously seek to extend the number of distribution channels through which we acquire paying customers and improve the cost and volume of customers obtained through our current channels.

We offer the following cloud services and solutions:

Cloud Fax

eFax® is a leading brand in the global cloud fax market. Various tiers of service provide increasing levels of features and functionality to sole proprietors, small and medium-sized businesses, and enterprises around the world. Our most popular services allow individuals to receive and send faxes as email attachments. In addition to *eFax®*, we offer cloud fax services under a variety of alternative brands including *sFax®, SRFax, MyFax®*, and *eFax Corporate™* .

Cybersecurity

VIPRE™ software solutions protect people and businesses from costly and malicious cyber threats. *VIPRE* offerings include comprehensive endpoint and email security, along with threat intelligence for real-time malware analysis.

Inspired eLearning's SaaS platform for cybersecurity awareness and compliance training helps enterprises protect their organizations by reducing human-related cybersecurity and workplace incidents.

IPVanish offers one of the fastest virtual private network services in the industry. The *IPVanish* network spans 1,300+ servers across more than 75 locations around the world, enabling users to browse the internet securely and anonymously, without restriction.

SugarSync® provides online file backup, synchronization and sharing of all of a customer's documents, photos, music and movies across all of the customer's computers and mobile devices.

Encrypt.me is an easy-to-use virtual private network ("VPN") service that protects individuals, families and teams. *Encrypt.me* has a global server infrastructure and offers the option of self-hosted cloud VPN servers which users can set up in their homes, offices or remote data centers.

LiveDrive® provides online backup and sync storage features for professionals and individuals. The customers can access their files from anywhere at any time so long as they have access to the internet.

SMB Enablement Services

Campaigner® and *iContact* provide email marketing solutions to help small, medium and large businesses strengthen customer relationships and drive sales. *Campaigner* and *iContact* offer professional email campaign creation, advanced list management and segmentation tools, marketing automation, attribution reports and campaign tracking, and targeted email autoresponders and workflows.

eVoice® is a virtual phone system that provides small and medium-sized businesses on-demand voice communications services. Customers can assign departmental and individual extensions that can connect to multiple numbers, including land-line and mobile phones and IP networks, and can enhance reachability through "find me/follow me" capabilities. These services also include advanced integrated voicemail for each extension.

Line2 is a cloud phone service which allows users to add a 2nd line to a mobile device. Line2 enables users to separate work and personal calls on a single device and includes standard business phone service features such as SMS, MMS, auto attendant, call routing, call forwarding, voicemail, call queue, toll-free and vanity numbers.

Competition

Our Cloud Services business faces competition from, among others, cloud fax-providers, traditional fax machine or multi-function printer companies, unified messaging/communications providers, healthcare inoperability solutions, email marketing solution providers, cyber security software and service vendors, and virtual private networks. Our online fax and cybersecurity solutions compete against traditional fax machine manufacturers, which are generally large and well-established companies, as well as publicly traded and privately-held providers of online fax services, cybersecurity solutions and related software, such as OpenText and Mimecast. Our Cloud Services business also competes against diversified and acquisitive vertical market software providers like Constellation Software. Some of these companies may have greater financial and other resources than we do.

We believe that the primary competitive factors determining our success in the market for our Cloud Services include financial strength and stability; pricing; reputation for reliability and security of service; intellectual property ownership; effectiveness of customer support; sign-up, service and software ease-of-use; service scalability; customer messaging and branding; geographic coverage; scope of services; currency and payment method acceptance; and local language sales, messaging and support.

For more information regarding the competition that we face, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Patents and Proprietary Rights

We regard the protection of our intellectual property rights as important to our success. We aggressively protect these rights by relying on a combination of patents, trademarks, copyrights, trade dress and trade secrets. We also enter into confidentiality and intellectual property assignment agreements with employees and contractors, and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information.

Through a combination of internal technology development and acquisitions, we have built a portfolio of numerous U.S. and foreign patents. We are currently engaged in litigation to enforce several of our patents. For a more detailed description of the lawsuits in which we are involved, see Item 3. Legal Proceedings. We intend to continue to invest in patents, to aggressively protect our patent assets from unauthorized use and to generate patent licensing revenues from authorized users.

Several of our U.S. patents have been reaffirmed through reexamination proceedings before the United States Patent and Trademark Office (“USPTO”). We have generated royalties from licensing certain of our patents and have enforced certain patents against companies using our patented technology without our permission.

We seek patents for inventions that may contribute to our business or technology sector. In addition, we have multiple pending U.S. and foreign patent applications, covering components of our technology and in some cases technologies beyond those that we currently offer. Unless and until patents are issued on the pending applications, no patent rights can be enforced.

We have obtained patent licenses for certain technologies where such licenses are necessary or advantageous.

We own and use a number of trademarks in connection with our services, including word and/or logo trademarks for IGN, Everyday Health, BabyCenter, Humble Bundle, PCMag, eFax, Mashable, Ookla, Speedtest, and RetailMeNot, among others. Many of these trademarks are registered worldwide, and numerous trademark applications are pending around the world. We hold numerous internet domain names, including “everydayhealth.com”, “retailmenot.com”, “efax.com”, “pcmag.com”, “ign.com”, “speedtest.net”, “offers.com”, “humblebundle.com”, “mashable.com”, and “babycenter.com”, among others. We have filed to protect our rights to our brands in certain alternative top-level domains such as “.org”, “.net”, “.biz”, “.info” and “.us”, among others.

Like other technology-based businesses, we face the risk that we will be unable to protect our intellectual property and other proprietary rights, and the risk that we will be found to have infringed the proprietary rights of others. For more information regarding these risks, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Government Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business over the internet and, in some cases, using services of third-party telecommunications and internet service providers. These include, among others, laws and regulations addressing privacy, data storage, retention and security, freedom of expression, content, taxation, numbers, advertising and intellectual property. With respect to most of our business, we are not a regulated telecommunications provider in the U.S. For information about the risks we face with respect to governmental regulation, please see Item 1A of this Annual Report on Form 10-K entitled Risk Factors.

Seasonality

Revenues associated with our Digital Media operations are subject to seasonal fluctuations, becoming most active during the fourth quarter holiday period due to increased retail activity. Our Cloud Services revenues are impacted by the number of effective business days in a given period. We traditionally experience lower than average Cloud Services usage and customer sign-ups in the fourth quarter.

Research and Development

The markets for our services are evolving rapidly, requiring ongoing expenditures for research and development and timely introduction of new services and service enhancements. Our future success will depend, in part, on our ability to enhance our current services, to respond effectively to technological changes, attract and retain engineering talent, sell additional services to our existing customer base and introduce new services and technologies that address the increasingly sophisticated needs of our customers.

We devote significant resources to develop new services and service enhancements. Our research, development and engineering expenditures were $64.3 million, $54.4 million and $48.4 million for the fiscal years ended December 31, 2020, 2019 and 2018, respectively. For more information regarding the technological risks that we face, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Human Capital Resources

As of December 31, 2020, we had approximately 4,700 employees, evenly split between U.S. and non-U.S based employees. Our ability to continue to attract, retain and motivate our highly qualified workforce is very important to our continued success. Approximately 70 of the editorial employees in our Digital Media business have elected to join a union. We chose to voluntarily recognize the union and have commenced negotiations on a collective bargaining agreement. None of our other employees are represented by collective bargaining.

Acquisition Strategy Impact on Human Capital

J2 Global has made more than 189 acquisitions since its inception, including nine during 2020. Welcoming and integrating new groups of employees - each group with its own unique culture, organizational norms, and expectations - is a strength of ours. We have developed processes to reduce the human capital risk associated with our acquisition strategy, and we believe that our ability to effectively integrate new employees and businesses is a core competency for J2 Global.

Our Culture

Culture at J2 Global operates on two levels. While we have a strong enterprise-wide culture that focuses on our core values – leadership, collaboration, efficiency, innovation, and purpose – we also have a strong network of micro-cultures that operate within many of our businesses and drive their success. Integrating those micro-cultures and values is important; we work hard to foster an environment of collaboration and embrace the power of small groups working together.

An important dimension of the enterprise culture at J2 Global stems from our belief that profitability and corporate responsibility go hand in hand. We believe that “Doing is Greater than Talking,” which has been a rallying cry to employees, galvanizing them to take action to create social value and impact.

With their work and many contributions, our employees play a crucial role in supporting J2 Global’s “Five Pillars of Purpose,” which today include:

Diversity, Equity & Inclusion - Reinforce our diverse workforce, reflect our diverse audiences, and extend upon our inclusive culture.
Data - Protect our data and customer data, ensure our product security, and respect the data privacy rights of our users.

Environmental Sustainability - Reduce our environmental footprint and continue helping customers and users reduce their footprint.

Community - Support our employees worldwide and positively impact the communities around us.

Governance - Represent shareholders' best interests with our rigorous and transparent corporate governance structure.

Diversity, Equity & Inclusion

Our digital media audiences and cloud services users are diverse – gender, race, ethnicity, age, orientation, geography, education, background, interests, and more. We believe that for our business to succeed over the long term, J2 Global must have an inclusive corporate culture that embraces diversity and promotes equity across our enterprise.

We are taking steps to promote that culture. To date, we have:

- created J2 Diversity Council, a diverse group of employees that develops recommendations for recruiting, mentorship, and advancement;
- supported five Employee Resource Groups to increase opportunities for networking, learning, and development, with more groups to come;
- promoted training and education through our Racism in America speaker series and through expanded mandatory training that includes Managing Bias and Diversity & Inclusion; and
- introduced DEI targets into our executive compensation program beginning in 2021.

We believe that transparency and accountability are important parts of managing human capital risk. To that end, in 2020 we published our inaugural Annual Diversity Report, available on our website, which details our workforce race representation, gender representation, and details how those differ between our overall workforce and our senior employees, as well as introducing commitments to DEI initiatives within our current and future workforce. We are proud of our progress to date – and we recognize we have much more to do.

Hiring

We reinforce our culture and our values by seeking out diverse candidates, and looking for candidates that fit well with our organizational priorities. We have had success in this area; 38 percent of all recent new hires have been people of color, and 44 percent of recent new hires have been women. We are working to proactively attract more diverse talent; we have doubled our referral bonus paid to employees when we hire a person of color they recommend, and we are partnering with Jopwell and the Professional Diversity Network to advertise our open roles to employees aligning with a multitude of identity groups.

Employee Compensation & Benefits

Compensation is an important consideration for all of our employees and we strive to pay competitive compensation packages that reflect the success of the business and the individual contributions of each colleague. We are committed to fair pay practices; roles are periodically benchmarked to help inform where adjustments may be needed.

We care for our employees by providing benefits we believe are effective at attracting and retaining the talent critical for our success and, more importantly, assist in their day to day well-being. Those benefits include comprehensive health insurance coverage and covering 83% of health insurance premiums for covered U.S. employees, an employee stock purchase program, flexible time off, free access to telemedicine, up to 16 weeks of paid parental leave for birth parents, family planning support, 16 hours annually of fully paid Volunteer Time Off, partnering with Benevity to support volunteer event opportunities globally, and a program encouraging personal paths to wellness called "Wellness Your Way."

Health and Wellness

Creating a culture where all colleagues feel supported and valued is paramount to our corporate mission. The ongoing COVID-19 pandemic has led to unique challenges, and we are striving to ensure the health, safety and general well-being of our colleagues. In 2020, we introduced a mental health education program which will continue with quarterly events throughout 2021. We continue to evolve our programs to meet our colleagues' health and wellness needs, which we believe is essential to attract and retain employees of the highest caliber, and we offer a competitive benefits package focused on fostering work/life integration.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with the Securities and Exchange Commission (the "SEC"). Such reports and other information and amendments thereto filed or furnished by the Company with the SEC are available free of charge on the Company's website at www.J2.com as soon as reasonably practicable after we file such reports with, or furnish them to, the SEC's website. The information on our website is not part of this report. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings we file electronically with the SEC at www.sec.gov. Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees. The Code is posted on the corporate governance page of J2 Global's website, and can be accessed at http://investor.j2global.com. Any changes to or waiver of our Code of Business Conduct and Ethics for senior financial officers, executive officers or directors will be posted on that website.

Item 1A. Risk Factors

Before deciding to invest in J2 Global or to maintain or increase your investment, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K and our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, prospects, financial condition, operating results and cash flows could be materially adversely affected. In that event, the market price of our common stock will likely decline and you may lose part or all of your investment.

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Risks Related To Our Business

- Acquisitions and investments in our business play a significant role in our growth.
- Acquisitions may disrupt our operations and harm our operating results.
- The majority of our revenue within the Digital Media business is derived from short-term advertising arrangements, and our Digital Media business may lose or be unable to attract advertisers if it cannot develop, commission or acquire compelling content, if it cannot attract users to mobile offerings or if advertisers' marketing budgets are cut or reduced.
- We face risks associated with system failures, security breaches and other technological issues.
- COVID-19 pandemic and related governmental response could negatively affect our business, operations and financial performance.
- We face risks associated with political instability and volatility in the economy.
- Our cloud fax services constitute a significant percentage of our revenue.
- Our business is highly dependent on our billing systems functioning properly, and we face risks associated with card declines and merchant standards imposed by card companies.
- The markets in which we operate are highly competitive, and we may not be successful in growing our brands or revenue.
- We face potential liability for various types of legal claims, and we may be engaged in legal proceedings that could cause us to incur unforeseen expenses and could divert significant operational resources and our management's time and attention.
- We face risks associated with changes in our tax rates, changes in tax treatment of companies engaged in e-commerce, the adoption of new U.S. or international tax legislation, assessments or audits by taxing authorities and potential exposure to additional tax liabilities (including with respect to sales and use, telecommunications or similar taxes).
- We may be subject to risks from international operations, including risks associated with currency fluctuations and foreign exchange controls, the United Kingdom's decision to end its membership in the European Union and other adverse changes in global financial markets, including unforeseen global crises such as war, strife, strikes, global health pandemics.
- We may be found to infringe the intellectual property rights of others, and we may be unable to adequately protect of our own intellectual property rights.
- Our business is dependent on the supply of services and other business requirements from other companies.
- Our business is dependent on our retention of our executive officers, senior management and our ability to hire and retain key personnel.
- Our level of indebtedness could adversely affect our financial flexibility and our competitive position, and we require significant cash to service our debt and fund our capital requirements.
- We are exposed to risk if we cannot maintain or adhere to our internal controls and procedures.
- We face risks associated with our Convertible Notes, including the possibility of changes in interest deductions, triggering of the conditional conversion feature, lack of funds to settle conversions or repurchase notes, use of particular accounting methods, and imposition of restrictions on future debt.
- Our businesses depend in part on attracting visitors to our websites from search engines.

Risks Related To Our Industries

- We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business. These may in turn subject us to claims, judgments, monetary liabilities and other remedies, and to limitations on our business practices.

- We operate across many different markets and may be exposed to a variety of government and private actions or self-regulatory developments regarding data privacy and security.
- Data privacy and security regulations such as the GDPR and the CCPA impose significant compliance costs and expose us to substantial risks, particularly with respect to health data or other sensitive data.
- Developments in the healthcare industry and associated regulations could adversely affect our business, including our Everyday Health Group set of brands.
- Our business could suffer if providers of broadband internet access services block, impair or degrade our services.
- Our business could suffer if we cannot obtain or retain numbers, are prohibited from obtaining local numbers or are limited to distributing local numbers to only certain customers.
- Rate increases by regulated carriers could require us to either raise the retail prices of our offerings and lose customers or reduce our profit margins.
- Our business faces risks associated with advertisement blocking technologies and advertising click fraud.
- The industries in which we operate are undergoing rapid technological changes and we may not be able to keep up.

Risks Related To Our Stock

- Features of the Convertible Notes and Senior Notes may delay or prevent an otherwise beneficial attempt to take over our company.
- Conversions of the Convertible Notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their Convertible Notes.
- We are a holding company and our operations are conducted through, and substantially all of our assets held by, subsidiaries, which are subject to restrictions on their ability to pay dividends to us to fund our dividends and interest payments and other holding company expenses.
- Future sales of our common stock may negatively affect our stock price.
- Anti-takeover provisions could negatively impact our stockholders.
- Our stock price may be volatile or may decline, due to various reasons, including variations between actual results and investor expectations, industry and regulatory changes, introduction of new services by our competitors, developments with respect to IP rights, geopolitical events such as war, threat of war or terrorist actions, and global health pandemics, among others.

Risks Related To Our Business

Acquisitions and investments in our business have historically played a significant role in our growth and we anticipate that they will continue to do so.

We must acquire additional or invest in new or current businesses, products, services and technologies that complement or augment our service offerings and customer base in order to sustain our rate of growth. We may not successfully identify suitable acquisition candidates or investment strategies, manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment or manage a geographically dispersed company. If we are unable to identify and execute on acquisitions or execute on our investment strategies, our revenues, business, prospects, financial condition, operating results and cash flows could suffer.

We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results.

We intend to continue to develop new services, enhance existing services and expand our geographic presence through acquisitions of other companies, service lines, technologies and personnel.

Acquisitions involve numerous risks, including the following:

- Difficulties in integrating the operations, systems, technologies, products and personnel of the acquired businesses;
- Difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets may have stronger market positions;
- Diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions; and
- The potential loss of key employees, customers, distributors, vendors and other business partners of the businesses we acquire.

Acquisitions may also cause us to:

- Use a substantial portion of our cash resources or incur debt;
- Significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- Assume liabilities;
- Issue common stock that would dilute our current stockholders' percentage ownership;
- Record goodwill and intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges;
- Incur amortization expenses related to certain intangible assets; and
- Become subject to intellectual property or other litigation.

Mergers and acquisitions are inherently risky and subject to many factors outside of our control. We cannot give assurance that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. In addition, our effective tax rate for future periods is uncertain and could be impacted by mergers and acquisitions.

The majority of our revenue within the Digital Media business is derived from short-term advertising arrangements and a reduction in spending by or loss of current or potential advertisers would cause our revenue and operating results to decline.

In most cases, our agreements with advertisers have a term of one year or less and may be terminated at any time by the advertiser or by us without penalty. Advertising agreements often provide that we receive payment based on “served” impressions but the online ad industry has started to shift so that payment will be made based on “viewable” impressions, and that change in basis could have a negative effect on available impressions thereby reducing our revenue potential. Accordingly, it is difficult to forecast display revenue accurately. In addition, our expense levels are based in part on expectations of future revenue. Moreover, we believe that advertising on the internet, as in traditional media, fluctuates significantly as a result of a variety of factors, many of which are outside of our control. Some of these factors include budget constraints of our advertisers, cancellations or delays of projects by our advertisers, the cyclical and discretionary nature of advertising spending, general economic, internet-related and media industry conditions, as well as extraordinary events. Further, our inability to produce “live events” for an indefinite period of time due to the COVID-19 pandemic may result in a reduction of spending or loss of current or potential advertisers. The state of the global economy and availability of capital has impacted and could further impact the advertising spending patterns of existing and potential advertisers. Any reduction in spending by, or loss of, existing or potential advertisers would negatively impact our revenue and operating results. Further, we may be unable to adjust our expenses and capital expenditures quickly enough to compensate for any unexpected revenue shortfall.

If we are unable to develop, commission or acquire compelling content in our Digital Media business at acceptable prices, our expenses may increase, the number of visitors to our online properties may not grow as anticipated, or may decline, and/or visitors’ level of engagement with our websites may decline, any of which could harm our operating results.

Our future success depends in part on the ability of our Digital Media business to aggregate compelling content and deliver that content through our online properties. We believe that users will increasingly demand high-quality content and services including more video and mobile-specific content. Such content and services may require us to make substantial payments to third parties if we are unable to develop content of our own. Our ability to maintain and build relationships with such third-party providers is critical to our success. In addition, as new methods for accessing the internet become available, including through alternative devices, we may need to enter into amended agreements with existing third-party providers to cover the new devices. We may be unable to monetize the activity on these alternative devices including mobile devices which may supplant current traffic that we monetize. We may be unable to enter into new, or preserve existing, relationships with the third-parties whose content or services we seek to obtain. In addition, as competition for compelling content increases both domestically and internationally, our third-party providers may increase the prices at which they offer their content and services to us and potential providers may not offer their content or services to us at all, or may offer them on terms that are not agreeable to us. An increase in the prices charged to us by third-party providers could harm our operating results and financial condition. Further, many of our content and services licenses with third parties are non-exclusive. Accordingly, other media providers may be able to offer similar or identical content. This increases the importance of our ability to deliver compelling content and personalization of this content for users in order to differentiate our properties from other businesses. Although we generally develop compelling content of our own, when are unable to do so we engage freelance services or obtain licensed content which may not be at reasonable prices and which could harm our operating results.

Users are increasingly using mobile devices to access our content within our Digital Media business and if we are unsuccessful in attracting new users to our mobile offerings, and expanding the capabilities of our content and other offerings with respect to our mobile platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting to mobile platforms such as smartphones and other connected devices. Visits to our mobile websites and applications have increased but if the percentage of visits to our mobile websites does not continue to grow or we are unable to effectively monetize our mobile content, net revenue will be impacted. In addition, we are less effective at monetizing digital content on our mobile websites and applications compared to our desktop websites. The growth of our business depends in part on our ability to continue to adapt to the mobile environment and to deliver compelling solutions to consumers and retailers through these new mobile marketing channels. In addition, our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, and any changes in such systems that degrade our functionality or give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

A system failure, security breach or other technological risk could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

Our operations are dependent on our network being free from material interruption by damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry, computer viruses, cyber-attacks or any other events beyond our control. Similarly, the operations of our partners and other third parties with which we work are also susceptible to the same risks. There can be no assurance that our existing and planned precautions of backup systems, regular data backups, security protocols and other procedures will be adequate to prevent significant damage, system failure or data loss and the same is true for our partners, vendors and other third parties on which we rely. We have experienced automated log in attempts to gain unauthorized access to customer accounts. To date, these events have not resulted in the material impairment of any business operations.

Also, many of our services are web-based, and the amount of data we store for our users on our servers has been increasing. Despite the implementation of security measures, our infrastructure, and that of our partners, vendors and other third parties, may be vulnerable to computer viruses, hackers or similar disruptive problems caused by our vendors, partners, other third parties, subscribers, employees or other internet users who attempt to invade public and private data networks. As seen in the industries in which we operate and others, these activities have been, and will continue to be, subject to continually evolving cybersecurity and technological risks. Further, in some cases we do not have in place disaster recovery facilities for certain ancillary services. Moreover, a significant portion of our operations relies heavily on the secure processing, storage and transmission of confidential and other sensitive data. For example, a significant number of our Cloud Services customers authorize us to bill their credit or debit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology to effect secure transmission of confidential information, including customer credit and debit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a material compromise or breach of the technology used by us, our partners, vendors, or other third parties, to protect transaction and other confidential data. Any system failure or security breach that causes interruptions or data loss in our operations, our partners, vendors, or other third parties, or in the computer systems of our customers or leads to the misappropriation of our or our customers' confidential information could result in a significant liability to us (including in the form of judicial decisions and/or settlements, regulatory findings and/or forfeitures, and other means), cause considerable harm to us and our reputation (including requiring notification to customers, regulators, and/or the media), cause a loss of confidence in our products and services, and deter current and potential customers from using our services. Our Board is briefed on cybersecurity risks and we implement cybersecurity risk management under our Board's oversight. We use vendors to assist with cybersecurity risks, but these vendors may not be able to assist us adequately in preparing for or responding to a cybersecurity incident. We maintain insurance related to cybersecurity risks, but this insurance may not be sufficient to cover all of our losses from any breaches or other adverse consequences related to a cybersecurity-event. Any of these events could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows, or cause us to suffer other negative consequences. For example, we may incur remediation costs (such as liability for stolen assets or information, repairs of system damage, and incentives to customers or business partners in an effort to maintain relationships after an attack); increased cybersecurity protection costs (which may include the costs of making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants); lost revenues resulting from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack; litigation and legal risks (including regulatory actions by state and federal governmental authorities and non-U.S. authorities); increased insurance premiums; reputational damage that adversely affects customer or investor confidence; and damage to the company's competitiveness, stock price, and diminished long-term shareholder value. To date, these events have not resulted in the material impairment of any business operations.

In our Digital Media business, if we are unable to prove that our advertising and sponsorship solutions provide an attractive return on investment for our customers, our financial results could be harmed.

Our ability to grow revenue from our Digital Media business is dependent on our ability to demonstrate to marketers that their marketing campaigns with us provide a meaningful return on investment ("ROI") relative to offline and other online opportunities. Certain of the marketing campaigns with respect to our Digital Media business are designed such that the revenues received are based entirely upon the ROI delivered for customers. Our Digital Media business has invested significant resources in developing its research, analytics and campaign effectiveness capabilities and expects to continue to do so in the future. Our ability, however, to demonstrate the value of advertising and sponsorship on Digital Media business properties will depend, in part, on the sophistication of the analytics and measurement capabilities, the actions taken by our competitors to enhance their offerings, whether we meet the ROI expectations of our customers and a number of other factors. If we are unable to maintain sophisticated marketing and communications solutions that provide value to our customers or demonstrate our ability to provide value to our customers, our financial results will be harmed.

Political instability and volatility in the economy may adversely affect segments of our customers, which may result in decreased usage and advertising levels, customer acquisition and customer retention rates and, in turn, could lead to a decrease in our revenues or rate of revenue growth.

Certain segments of our customers may be adversely affected by political instability and volatility in the general economy or renewed downturns. To the extent these customers' businesses are adversely affected by political instability or volatility, their usage of our services and/or our customer retention rates could decline. This may result in decreased cloud services subscription and/or usage revenues and decreased advertising, e-commerce or other revenues, which may adversely impact our revenues and profitability.

The COVID-19 pandemic and related governmental response could negatively affect our business, operations and financial performance.

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The impact of the COVID-19 pandemic has had a negative effect on the global economy, disrupting the financial markets and creating increasing volatility and overall uncertainty. Among other things, the COVID-19 pandemic has resulted in travel bans around the world, declarations of states of emergency, stay- or shelter-at-home requirements, business and school closures and manufacturing restrictions. In addition, the COVID-19 pandemic has contributed to (i) increased unemployment and decreased consumer confidence and business generally; (ii) sudden and significant declines, and significant increases in volatility, in financial and capital markets; (iii) increased spending on our business continuity efforts, which has required and may further require that we cut costs or investments in other areas; and (iv) heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements.

We have adjusted certain aspects of our operations to protect our employees and customers while still seeking to meet customers' needs for our vital cloud internet services and digital media services. We cannot predict at this time the extent to which the COVID-19 pandemic could negatively affect our business, operations and financial performance. The extent of any continued or future adverse effects of the COVID-19 pandemic will depend on future developments, which are highly uncertain and outside our control, including the scope and duration of the pandemic, the direct and indirect impact of the pandemic on our employees, customers, counterparties and service providers, as well as other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic. Nonetheless, we believe that it is likely that our business, operations and financial performance will continue to be adversely affected until the pandemic subsides and the U.S. and worldwide economies begin to recover. Further, the COVID-19 pandemic may also have the effect of heightening many of the other risks described in this section entitled "Risk Factors" or in the "Risk Factors" section of any subsequent Quarterly Report on Form 10-Q. Even after the pandemic subsides, it is possible that the U.S, and other major economies continue to experience a prolonged recession, which we expect would materially and adversely affect our business, operations and financial performance.

Our cloud fax services constitute a significant percentage of our revenue.

Currently, cloud fax revenue constitutes approximately 22% of our consolidated revenues. The success of our business is therefore dependent upon the continued use of fax as a messaging medium and/or our ability to diversify our service offerings and derive more revenue from other services, such as cybersecurity, SMB enablement solutions and services related to our Digital Media business. If the demand for cloud fax decreases, and we are unable to replace lost revenues from decreased usage or cancellation of our cloud fax services with a proportional increase in our customer base or with revenues from our other services, our business, financial condition, operating results and cash flows could be materially and adversely affected.

We believe that one of the attractive features of our eFax® and similar products is that fax signatures are a generally accepted method of executing contracts and a method of transmitting confidential information in a secure manner especially in the healthcare field in the United States. There are ongoing efforts by governmental and non-governmental entities to create a universally accepted method for electronically signing documents. Widespread adoption of so-called "digital signatures" could reduce demand for our fax services and, as a result, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our growth will depend on our ability to develop, strengthen, and protect our brands, and these efforts may be costly and have varying degrees of success.

Our brand recognition has significantly contributed to the success of our business. Strengthening our current brands and launching competitive new brands will be critical to achieving widespread commercial acceptance of our products and services. This will require our continued focus on active marketing, the costs of which have been increasing and may continue to increase. In addition, substantial initial investments may be required to launch new brands and expand existing brands to cover new geographic territories and technology fields. Accordingly, we may need to spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other efforts to cultivate brand recognition and customer loyalty. In addition, we are supporting an increasing number of brands, each of which requires its own investment of resources. Brand promotion activities may not yield increased revenues and, even if they do, increased revenues may not offset the expenses incurred. A failure to launch, promote, and maintain our brands, or the incurrence of substantial expenses in doing so, could have a material adverse effect on our business.

Our brand recognition depends, in part, on our ability to protect our trademark portfolio and establish trademark rights covering new brands and territories. Some regulators and competitors have taken the view that certain of our brands, such as eFax and eVoice, are descriptive or generic when applied to the products and services offered by our Cloud Services business. Nevertheless, we have obtained U.S. and foreign trademark registrations for our brand names, logos, and other brand identifiers, including, eFax and eVoice. If we are unable to obtain, maintain or protect trademark rights covering our brands across the territories in which they are or may be offered, the value of these brands may be diminished, competitors may be able to dilute, harm, or take advantage of our brand recognition and reputation, and our ability to attract subscribers may be adversely affected.

We hold domain names relating to our brands, in the U.S. and internationally. The acquisition and maintenance of domain names are generally regulated by governmental agencies and their designees. The regulation of domain names may change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain all relevant domain names that relate to our brands. Furthermore, international rules governing the acquisition and maintenance of domain names in foreign jurisdictions are sometimes different from U.S. rules, and we may not be able to obtain all of our domains internationally. As a result of these factors, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our brands, trademarks or other proprietary rights. In addition, failure to secure or maintain domain names relevant to our brands could adversely affect our reputation and make it more difficult for users to find our websites and services.

Increased numbers of credit and debit card declines in our business could lead to a decrease in our revenues or rate of revenue growth.

A significant number of our paid Cloud Services subscribers and certain Digital Media subscribers pay for our services through credit and debit cards. Weakness in certain segments of the credit markets and in the U.S. and global economies could result in increased numbers of rejected credit and debit card payments. We believe this could result in increased customer cancellations and decreased customer signups. Rejected credit or debit card payments, customer cancellations and decreased customer sign up may adversely impact our revenues and profitability.

If our business experiences excessive fraudulent activity or cannot meet evolving credit card company merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment and our subscriber base could decrease significantly.

A significant number of our paid Cloud Services subscribers and certain Digital Media subscribers authorize us to bill their credit card accounts directly for all service fees charged by us. If people pay for these services with stolen credit cards, we could incur substantial unreimbursed third-party vendor costs. We also incur losses from claims that the customer did not authorize the credit card transaction to purchase our service. If the numbers of unauthorized credit card transactions become excessive, we could be assessed substantial fines for excess chargebacks and could lose the right to accept credit cards for payment. In addition, we are subject to Payment Card Industry ("PCI") data security standards, which require periodic audits by independent third parties to assess our compliance. PCI standards are a comprehensive set of requirements for enhancing payment account data security. Failure to comply with the security requirements or rectify a security issue may result in fines or a restriction on accepting payment cards. Credit card companies may change the standards required to utilize their services from time to time. If we are unable to meet these new standards, we could be unable to accept credit cards. Further, the law relating to the liability of providers of online payment services is currently unsettled and states may enact their own rules with which we may not comply. Substantial losses due to fraud or our inability to accept credit card payments, which could cause our paid subscriber base to significantly decrease, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

The markets in which we operate are highly competitive and our competitors may have greater resources to commit to growth, superior technologies, cheaper pricing or more effective marketing strategies. Also, we face significant competition for users, advertisers, publishers, developers and distributors.

For information regarding our competition, and the risks arising out of the competitive environment in which we operate, see the section entitled Competition contained in Item 1 of this Annual Report on Form 10-K. In addition, some of our competitors include major companies with much greater resources and significantly larger subscriber bases than we have. Some of these competitors offer their services at lower prices than we do. These companies may be able to develop and expand their network infrastructures and capabilities more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily and devote greater resources to the marketing and sale of their products and services than we can. There can be no assurance that additional competitors will not enter markets that we are currently serving and plan to serve or that we will be able to compete effectively. Competitive pressures may reduce our revenue, operating profits or both.

Our Digital Media business faces significant competition from online media companies as well as from social networking sites, mobile application, traditional print and broadcast media, general purpose and search engines and various e-commerce sites. Our Cloud Services business faces competition from cloud software services and applications across several categories including secured communications, cybersecurity and marketing technology.

Several of our competitors offer an integrated variety of software and internet products, advertising services, technologies, online services and content. We compete against these and other companies to attract and retain subscribers, users, advertisers and developers. We also compete with social media and networking sites which are attracting a substantial and increasing share of users and users' online time, and may continue to attract an increasing share of online advertising dollars.

In addition, several competitors offer products and services that directly compete for users with our Digital Media business offerings. Similarly, the advertising networks operated by our competitors or by other participants in the display marketplace offer services that directly compete with our offerings for advertisers, including advertising exchanges, ad networks, demand side platforms, ad serving technologies and sponsored search offerings. We also compete with traditional print and broadcast media companies to attract advertising spending. Some of our existing competitors and possible entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and greater operational, strategic, technological, financial, personnel, or other resources than we do. Many of our competitors have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions, technologies, and research and development. Further, emerging start-ups may be able to innovate and provide new products and services faster than we can. In addition, competitors may consolidate with each other or collaborate, and new competitors may enter the market. Some of the competitors for our Cloud Services business in international markets have a substantial competitive advantage over us because they have dominant market share in their territories, are owned by local telecommunications providers, have greater brand recognition, are focused on a single market, are more familiar with local tastes and preferences, or have greater regulatory and operational flexibility due to the fact that we may be subject to both U.S. and foreign regulatory requirements.

If our competitors are more successful than we are in developing and deploying compelling products or in attracting and retaining users, advertisers, publishers, developers, or distributors, our revenue and growth rates could decline.

As a creator and a distributor of content over the internet, we face potential liability for legal claims based on the nature and content of the materials that we create or distribute.

Users access health-related content through our Everyday Health Group properties, including information regarding particular medical conditions, diagnosis and treatment and possible adverse reactions or side effects from medications. If our content, or content we obtain from third parties, contains inaccuracies, it is possible that consumers or professionals who rely on that content or others may make claims against us with various causes of action. Although our properties contain terms and conditions, including disclaimers of liability, that are intended to reduce or eliminate our liability, third parties may claim that these online agreements are unenforceable.

Our editorial and other quality control procedures may not be sufficient to ensure that there are no errors or omissions in our content offerings or to prevent such errors and omissions in content that is controlled by our partners. Even if potential claims do not result in liability to us, investigating and defending against these claims could be expensive and time consuming and could divert management's attention away from our operations.

We may be engaged in legal proceedings that could cause us to incur unforeseen expenses and could divert significant operational resources and our management's time and attention.

From time to time, we are subject to litigation or claims or are involved in other legal disputes or regulatory inquiries, including in the areas of patent infringement and anti-trust, that could negatively affect our business operations and financial condition. Such disputes could cause us to incur unforeseen expenses, divert operational resources, occupy a significant amount of our management's time and attention and negatively affect our business operations and financial condition. The outcomes of such matters are subject to inherent uncertainties, carrying the potential for unfavorable rulings that could include monetary damages and injunctive relief. We do not always have insurance coverage for defense costs, judgments, and settlements. We may also be subject to indemnification requirements with business partners, vendors, current and former officers and directors, and other third parties. Payments under such indemnification provisions may be material. For a more detailed description of certain lawsuits in which we are involved, see Item 3. Legal Proceedings.

Our business is highly dependent on our billing systems.

A significant part of our revenues depends on prompt and accurate billing processes. Customer billing is a highly complex process, and our billing systems must efficiently interface with third-party systems, such as those of credit card processing companies. Our ability to accurately and efficiently bill our customers is dependent on the successful operation of our billing systems and the third-party systems upon which we rely, such as our credit card processor, and our ability to provide these third parties the information required to process transactions. In addition, our ability to offer new services or alternative-billing plans is dependent on our ability to customize our billing systems. Any failures or errors in our billing systems or procedures could impair our ability to properly bill our current customers or attract and service new customers, and thereby could materially and adversely affect our business and financial results.

Inadequate intellectual property protections could prevent us from defending our proprietary technology and intellectual property.

Our success depends, in part, upon our proprietary technology and intellectual property. We rely on a combination of patents, trademarks, trade secrets, copyrights, contractual restrictions, and other confidentiality safeguards to protect our proprietary technology. However, these measures may provide only limited protection and it may be costly and time-consuming to enforce compliance with our intellectual property rights. In some circumstances, we may not have adequate, economically feasible or realistic options for enforcing our intellectual property and we may be unable to detect unauthorized use. While we have a robust worldwide portfolio of issued patents and pending patent applications, there can be no assurance that any of these patents will not be challenged, invalidated or circumvented, that we will be able to successfully police infringement, or that any rights granted under these patents will in fact provide a competitive advantage to us.

In addition, our ability to register or protect our patents, copyrights, trademarks, trade secrets and other intellectual property may be limited in some foreign countries. As a result, we may not be able to effectively prevent competitors in these regions from utilizing our intellectual property, which could reduce our competitive advantage and ability to compete in those regions and negatively impact our business.

We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights.

Companies that operate in the same industry as our Cloud Services and Digital Media businesses have experienced substantial litigation regarding intellectual property. Currently, we have pending patent infringement lawsuits, both offensive and defensive, against several companies in this industry. Furthermore, we may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights or determine the validity and scope of intellectual property rights claimed by others. This or any other litigation to enforce or defend our intellectual property rights may be expensive and time-consuming, could divert management resources and may not be adequate to protect our business.

As we continue to grow our international operations, adverse currency fluctuations and foreign exchange controls could have a material adverse effect on our financial condition and results of operations.

As we expand our international operations, we could be exposed to significant risks of currency fluctuations. In some countries outside the U.S., we offer our services in the applicable local currency, including but not limited to the Australian Dollar, the Canadian Dollar, the Euro, the Hong Kong Dollar, the Japanese Yen, the New Zealand Dollar, the Norwegian Kroner and the British Pound Sterling, among others. As a result, fluctuations in foreign currency exchange rates affect the results of our operations, which in turn may materially adversely affect reported earnings and the comparability of period to period results of operations. Changes in currency exchange rates may also affect the relative prices at which we and foreign competitors sell our services in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. Furthermore, we may become subject to exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars. We cannot assure you that future exchange rate movements will not have a material adverse effect on our future business, prospects, financial condition, operating results and cash flows. To date, we have not entered into foreign currency hedging transactions to control or minimize these risks.

Changes in our tax rates, changes in tax treatment of companies engaged in e-commerce, the adoption of new U.S. or international tax legislation, or exposure to additional tax liabilities may adversely impact our financial results.

We are a U.S.-based multinational company subject to taxes in the U.S. and numerous foreign jurisdictions, including Ireland, where a number of our subsidiaries are organized. Our provision for income taxes is based on a jurisdictional mix of earnings, statutory tax rates and enacted tax rules, including transfer pricing. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. As a result, our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. These changes may adversely impact our effective tax rate and harm our financial position and results of operations.

We are subject to examination by the U.S. Internal Revenue Service (“IRS”) and other domestic and foreign tax authorities and government bodies. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our income tax and other tax reserves. If our reserves are not sufficient to cover these contingencies, such inadequacy could materially adversely affect our business, prospects, financial condition, operating results, and cash flows.

In addition, due to the global nature of the internet, it is possible that various states or foreign countries might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations or court decisions may subject us or our customers to additional sales, income and other taxes. For example, the European Union, certain member states, and other countries, as well as states within the United States, have proposed or enacted taxes on online advertising and marketplace service revenues. The application of existing, new or revised taxes on our business, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the internet. The application of these taxes on our business could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on our business, financial condition, and operating results.

Moreover, we are currently under or subject to examination for indirect taxes in various states, municipalities and foreign jurisdictions. We currently have a $22.5 million reserve established for these matters. If a material indirect tax liability associated with prior periods were to be recorded, for which there is not a reserve, it could materially affect our financial results for the period in which it is recorded.

Furthermore, much of our Digital Media e-commerce revenue comes from arrangements in which we are paid by retailers to promote their digital product and service offers on our sites. Certain states have implemented regulations that require retailers to collect and remit sales taxes on sales made to residents of such states if a publisher, such as us, that facilitated that sale is a resident of such state. Paid retailers in our marketplace that do not currently have sales tax nexus in any state that subsequently passes similar regulations and in which we have operations, employees or contractors now or in the future, may significantly alter the manner in which they pay us, cease paying us for sales we facilitate for that retailer in such state, or cease using our marketplace, each of which could adversely impact our business, financial condition, and operating results.

We may be subject to risks from international operations.

As we continue to expand our business operations in countries outside the U.S., our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, foreign currency exchange rates; political or social unrest or economic instability in a specific country or region; trade protection measures and other regulatory requirements which may affect our ability to provide our services; difficulties in staffing and managing international operations; and adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries and affiliates. Any or all of these factors could have a material adverse impact on our future business, prospects, financial condition, operating results and cash flows.

We have only limited experience in marketing and operating our services in certain international markets. Moreover, we have in some cases experienced and expect to continue to experience in some cases higher costs as a percentage of revenues in connection with establishing and providing services in international markets versus in the U.S. In addition, certain international markets may be slower than the U.S. in adopting the internet and/or outsourced messaging and communications solutions and so our operations in international markets may not develop at a rate that supports our level of investments.

Further, the impact on the global economy as a result of unforeseen global crises such as war, strife, strikes, global health pandemics, earthquakes or major weather events or other uncontrollable events could negatively impact our revenue and operating results.

We may be found to have infringed the intellectual property rights of others, which could expose us to substantial damages or restrict our operations.

We have been and expect to continue to be subject to legal claims that we have infringed the intellectual property rights of others. The ready availability of damages and royalties and the potential for injunctive relief have increased the costs associated with litigating and settling patent infringement claims. In addition, we may be required to indemnify our resellers and users for similar claims made against them. Any claims, whether or not meritorious, could require us to spend significant time, money, and other resources in litigation, pay damages and royalties, develop new intellectual property, modify, design around, or discontinue existing products, services, or features, or acquire licenses to the intellectual property that is the subject of the infringement claims. These licenses, if required, may not be available at all or have acceptable terms. As a result, intellectual property claims against us could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

The successful operation of our business depends upon the supply of critical business elements and marketing relationships from other companies.

We depend upon third parties for critical elements of our business, including technology, infrastructure, customer service and sales and marketing components. We rely on private third-party providers for our internet, telecommunications, website traffic and other connections and for co-location of a significant portion of our servers. In addition, we rely on third-party platforms to facilitate and provide access to products sold through our sites. Any disruption in the services provided by any of these suppliers, any adverse change in access to their platforms or services or in their terms and conditions of use or services, or any failure by them to handle current or higher volumes of activity could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows. To obtain new Cloud Services customers, we have marketing agreements with operators of leading search engines and websites and employ the use of resellers to sell our products. These arrangements typically are not exclusive and do not extend over a significant period of time. Failure to continue these relationships on terms that are acceptable to us or to continue to create additional relationships could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our success depends on our retention of our executive officers, senior management and our ability to hire and retain key personnel.

Our success depends on the skills, experience and performance of executive officers, senior management and other key personnel. The loss of the services of one or more of our executive officers, senior managers or other key employees could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows. Our future success also depends on our continuing ability to attract, integrate and retain highly qualified technical, sales and managerial personnel. Competition for these people is intense, and there can be no assurance that we can retain our key employees or that we can attract, assimilate or retain other highly qualified technical, sales and managerial personnel in the future.

Our level of indebtedness could adversely affect our financial flexibility and our competitive position.

Our level of indebtedness could have significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our obligations, including our current indebtedness and any other indebtedness we may incur in the future;
- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other elements of our business strategy and other general corporate purposes, including share repurchases and payment of dividends;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
  restrict us from exploiting business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less indebtedness; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

In addition, the indenture governing the 4.625% Senior Notes of our subsidiary contains, and the agreements evidencing or governing other future indebtedness may contain, restrictive covenants that may limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

The indenture governing the 4.625% Senior Notes contains a number of restrictive covenants that impose significant operating and financial restrictions and may limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions, or otherwise restrict our activities or business plans. These include restrictions on our ability to:

- incur additional indebtedness;
- create liens;
- engage in sale-leaseback transactions;
- pay dividends or make distributions in respect of capital stock;
- purchase or redeem capital stock;
- make investments or certain other restricted payments;
- sell assets;
- enter into transactions with affiliates;
- amend the terms of certain other indebtedness and organizational documents; or
- effect a consolidation or merger.

A breach of the covenants under the indenture governing the 4.625% Senior Notes could result in an event of default. Such a default may allow the note holders to accelerate the Senior Notes and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies. In the event the holders of our 4.625% Senior Notes accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness or our other indebtedness.

We are exposed to risk if we cannot maintain or adhere to our internal controls and procedures.

We have established and continue to maintain, assess and update our internal controls and procedures regarding our business operations and financial reporting. Our internal controls and procedures are designed to provide reasonable assurances regarding our business operations and financial reporting. However, because of the inherent limitations in this process, internal controls and procedures may not prevent or detect all errors or misstatements. To the extent our internal controls are inadequate or not adhered to by our employees, our business, financial condition and operating results could be materially adversely affected.

If we are not able to maintain internal controls and procedures in a timely manner, or without adequate compliance, we may be unable to accurately report our financial results or prevent fraud and may be subject to sanctions or investigations by regulatory authorities such as the SEC or Nasdaq. Any such action or restatement of prior-period financial results as a result could harm our business or investors' confidence in J2 Global, and could cause our stock price to fall.

To service our debt and fund our other capital requirements, we will require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.

Our ability to meet our debt service obligations and to fund working capital, capital expenditures, acquisitions and other elements of our business strategy and other general corporate purposes, including share repurchases and payment of dividends, will depend upon our future performance, which will be subject to financial, business and other factors affecting our operations. To some extent, this is subject to general and regional economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot ensure that we will generate cash flow from operations, or that future borrowings will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, or at all, would materially and adversely affect our financial position and results of operations.

We may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes or to repurchase the Convertible Notes upon a fundamental change or on a repurchase date or the Senior Notes upon a change in control, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Convertible Notes or the Senior Notes.

Holders of the 3.25% convertible senior notes due June 15, 2029 (the "3.25% Convertible Notes") will have the right to require us to repurchase their 3.25% Convertible Notes on each of June 15, 2021 and June 15, 2024 and upon the occurrence of a fundamental change (as defined in the indenture governing the 3.25% Convertible Notes), in each case, at a repurchase price equal to 100% of the principal amount of the 3.25% Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. Holders of the Senior Notes also have the right to require us to repurchase the Senior Notes upon the occurrence of a change in control (as defined in the indenture governing the Senior Notes) at a repurchase price equal to 101% of the principal amount of the Senior Notes to be repurchased, plus accrued and unpaid interest, if any. Holders of our 1.75% convertible senior notes due November 1, 2026 (the "1.75% Convertible Notes," and together with the 3.25% Convertible Notes, the "Convertible Notes") also will have the right to require us to repurchase their 1.75% Convertible Notes upon the occurrence of a fundamental change (as defined in the indenture governing the 1.75% Convertible Notes) at a repurchase price equal to 100% of the principal amount of the 1.75% Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the Convertible Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Convertible Notes being converted. It is our intention to satisfy our conversion obligation by paying and delivering a combination of cash and shares of our common stock, where cash will be used to settle each $1,000 of principal and the remainder, if any, will be settled via shares of our common stock. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes or Senior Notes surrendered therefor or Convertible Notes being converted. In addition, our ability to repurchase the Convertible Notes or Senior Notes or to pay cash upon conversions of the Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Convertible Notes or Senior Notes at a time when the repurchase is required by the applicable indenture or to pay any cash payable on future conversions of the Convertible Notes as required by the applicable Convertible Notes indenture would constitute a default under the Convertible Notes indenture. A default under any indenture or the fundamental change or change of control itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or the Senior Notes or make cash payments upon conversions of the Convertible Notes.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The conditional conversion feature of the 3.25% Convertible Notes was triggered for the quarter ended December 31, 2020 and it is reasonably likely that it will be triggered in subsequent quarters. If J2 elects to convert all or a portion of the 3.25% Convertible Notes into shares of the Company's common stock, our common stock will be diluted which could adversely affect our stock price.

Our interest deductions attributable to the 3.25% Convertible Notes may be deferred, limited or eliminated under certain conditions.

We believe that the 3.25% Convertible Notes are subject to the IRS contingent payment debt instrument regulations. This conclusion is subject to complex factual and legal uncertainty and is not binding on the IRS or the courts. If the IRS takes a contrary position and a court sustains the IRS' position, our tax deductions would be severely diminished with a resulting adverse effect on our cash flow and ability to service the 3.25% Convertible Notes.

The accounting method for convertible debt securities that may be settled in cash, such as the 1.75% Convertible Notes and the 3.25% Convertible Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board ("FASB"), issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"). Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the 1.75% Convertible Notes and the 3.25% Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the 1.75% Convertible Notes and the 3.25% Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our Consolidated Balance Sheet, and the value of the equity component would be treated as an original issue discount for purposes of accounting for the debt component of the 1.75% Convertible Notes and the 3.25% Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the 1.75% Convertible Notes and the 3.25% Convertible Notes to their face amount over the respective terms of the 1.75% Convertible Notes and the 3.25% Convertible Notes. We will report larger net losses or lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results and the trading price of our common stock and other securities.

In addition, under certain circumstances, convertible debt instruments (such as the 1.75% Convertible Notes and the 3.25% Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the 1.75% Convertible Notes and the 3.25% Convertible Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued.

In July 2019, the FASB issued an exposure draft that proposes to change the accounting for the convertible debt instruments described above. Under the current exposure draft, an entity may no longer be required to separately account for the liability and equity components of convertible debt instruments. If the exposure draft is adopted in its current form, this could have the impact of reducing non-cash interest expense, and thereby increasing net income. Additionally, as currently proposed, the treasury stock method for calculating earnings per share will no longer be allowed for convertible debt instruments whose principal amount may be settled using shares. Rather, the if-converted method may be required. Application of the "if-converted" method may reduce our reported diluted earnings per share. The comment period for the current exposure draft concluded in October 2019, and, following deliberations, the FASB reaffirmed the changes described above. As of February 5, 2020, the FASB is drafting the final accounting standards update, which is scheduled to go into effect for us for fiscal years beginning after December 15, 2021, with option early adoption for fiscal periods beginning after December 15, 2020. We cannot be sure when or if the final accounting standards update will be issued, or whether it will be issued in its current format. We also cannot be sure whether other changes may be made to the current accounting standards related to the 1.75% Convertible Notes or the 3.25% Convertible Notes, or otherwise, that could have an adverse impact on our financial statements.

The Company is subject to laws and regulations worldwide, changes to which could increase the Company's costs and individually or in the aggregate adversely affect the Company's business.

The Company is subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect the Company's activities in areas including, but not limited to, labor, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, telecommunications, mobile communications and media, television, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy and data localization requirements, anti-competition, environmental, health and safety. Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make the Company's products and services less attractive to the Company's customers, delay the introduction of new products in one or more regions, or cause the Company to change or limit its business practices. The Company has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that the Company's employees, contractors, or agents will not violate such laws and regulations or the Company's policies and procedures.

The United Kingdom's decision to end its membership in the European Union and other adverse changes in global financial markets could materially and adversely impact our results of operations, financial condition and cash flows.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union ("EU") in a national referendum ("BREXIT"), and on January 31, 2020 the United Kingdom exited the EU and, on December 31, 2020, the transition period under the withdrawal agreement between the U.K. and the EU ended. The results of the United Kingdom's BREXIT have caused, and may continue to cause, volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. We are continuing to evaluate the effects of BREXIT, which could potentially disrupt our access to human capital and some of our target markets and jurisdictions in which we operate, and adversely change tax benefits or liabilities in these or other jurisdictions. In addition, BREXIT could lead to legal uncertainty and potentially divergent national laws and regulations. Any of these effects of BREXIT, among others, and other adverse changes in global financial markets could have a materially adverse impact on our results of operations, financial condition, cash flows and could render us either unable to access global financial markets or able to access these markets only at higher interest costs and with restrictive financial or other conditions.

Taxing authorities may successfully assert that we should have collected, or in the future should collect sales and use, telecommunications or similar taxes, and we could be subject to liability with respect to past or future tax, which could adversely affect our operating results.

We believe we remit state and local sales and use tax, excise, utility user, and ad valorem taxes, fees and surcharges or other similar obligations in all relevant jurisdictions in which we generate sales, based on our understanding of the applicable laws in those jurisdictions. Such tax, fees and surcharge laws and rates vary greatly by jurisdiction, and the application of such taxes to e-commerce businesses, such as ours, is a complex and evolving area. The jurisdictions where we have sales may apply more rigorous enforcement efforts or take more aggressive positions in the future that could result in greater tax liability. In addition, in the future we may also decide to engage in activities that would require us to pay sales and use, telecommunications, or similar taxes in new jurisdictions. Such tax assessments, penalties and interest or future requirements may materially adversely affect our business, financial condition and operating results.

Risks Related To Our Industries

Our services may become subject to burdensome regulation, which could increase our costs or restrict our service offerings.

We believe that most of our cloud services are "information services" under the Telecommunications Act of 1996 and related precedent, or, if not "information services," that we are entitled to other exemptions, meaning that we generally are not currently subject to U.S. telecommunications services regulation at both the federal and state levels. In connection with our Cloud Services business, we utilize data transmissions over public telephone lines and other facilities provided by third-party carriers. These transmissions are subject to foreign and domestic laws and regulation by the Federal Communications Commission (the "FCC"), state public utility commissions and foreign governmental authorities. These regulations affect the availability of numbers, the prices we pay for transmission services, the administrative costs associated with providing our services, the competition we face from telecommunications service providers and other aspects of our market. However, as messaging and communications services converge and as the services we offer expand, we may become subject to FCC or other regulatory agency regulation. It is also possible that a federal or state regulatory agency could take the position that our offerings, or a subset of our offerings, are properly classified as telecommunications services or otherwise not entitled to certain exemptions upon which we currently rely. Such a finding could potentially subject us to fines, penalties or enforcement actions as well as liabilities for past regulatory fees and charges, retroactive contributions to various telecommunications-related funds, telecommunications-related taxes, penalties and interest. It is also possible that such a finding could subject us to additional regulatory obligations that could potentially require us either to modify our offerings in a costly manner, diminish our ability to retain customers, or discontinue certain offerings, in order to comply with certain regulations. Changes in the regulatory environment could decrease our revenues, increase our costs and restrict our service offerings. In many of our international locations, we are subject to regulation by the applicable governmental authority.

In the U.S., Congress, the FCC, and a number of states require regulated telecommunications carriers to contribute to federal and/or state Universal Service Funds ("USF"). Generally, USF is used to subsidize the cost of providing service to low-income customers and those living in high cost or rural areas. Congress, the FCC and a number of states are reviewing the manner in which a provider's contribution obligation is calculated, as well as the types of entities subject to USF contribution obligations. If any of these reforms are adopted, they could cause us to alter or eliminate our non-paid services and to raise the price of our paid services, which could cause us to lose customers. Any of these results could lead to a decrease in our revenues and net income and could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

The Telephone Consumer Protection Act (the "TCPA") and FCC rules implementing the TCPA, as amended by the Junk Fax Act, prohibit sending unsolicited facsimile advertisements to telephone fax machines. The FCC, the Federal Trade Commission ("FTC"), or both may initiate enforcement action against companies that send "junk faxes" and individuals also may have a private cause of action. Although entities that merely transmit facsimile messages on behalf of others are not liable for compliance with the prohibition on faxing unsolicited advertisements, the exemption from liability does not apply to fax transmitters that have a high degree of involvement or actual notice of an illegal use and have failed to take steps to prevent such transmissions. We take significant steps to ensure that our services are not used to send unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement in or notice of the use of our service to broadcast junk faxes. However, because fax transmitters do not enjoy an absolute exemption from liability under the TCPA and related FCC and FTC rules, we could face inquiries from the FCC and FTC or enforcement actions by these agencies, or private causes of action, if someone uses our service for such impermissible purposes. If this were to occur and we were to be held liable for someone's use of our service for transmitting unsolicited faxes, the financial penalties could cause a material adverse effect on our operations and harm our business reputation.

Likewise, the TCPA also prohibits placing calls or sending text messages to mobile phones without "prior express consent" subject to limited exceptions. Parties that solely enable calling or text messaging are only directly liable under the TCPA pursuant to federal common law vicarious liability principles. We take significant steps to ensure that users understand that they are responsible for how they use our technology including complying with relevant federal and state law. However, because we do not enjoy absolute exemption from liability under the TCPA and related FCC and FTC rules, we could face inquiries from the FCC and FTC or enforcement actions by these agencies, or private causes of action, if someone uses our service for such impermissible purposes. If this were to occur and we were to be held liable for someone's use of our service for unauthorized calling or text messaging mobile users, the financial penalties could cause a material adverse effect on our operations and harm our business reputation.

Also, in the U.S., the Communications Assistance to Law Enforcement Act ("CALEA") requires any telecommunications carriers to be capable of performing wiretaps and recording other call identifying information in cooperation with law enforcement. In September 2005, the FCC expanded the definition of "telecommunications carriers" to include facilities-based broadband internet access providers and Voice-over-Internet-Protocol ("VoIP") providers that interconnect with the public switched telephone network. As a result of this definition, J2 Global's VoIP offerings are subject to CALEA, which has impacted our operations.

We are subject to a variety of new and existing laws and regulations which could subject us to claims, judgments, monetary liabilities and other remedies, and to limitations on our business practices.

The application of existing domestic and international laws and regulations to us relating to issues such as defamation, pricing, advertising, taxation, promotions, billing, consumer protection, accessibility, content regulation, data privacy, intellectual property ownership and infringement, and accreditation in many instances is unclear or unsettled. In addition, we will also be subject to any new laws and regulations directly applicable to our domestic and international activities. Further, the application of existing laws to us or our subsidiaries regulating or requiring licenses for certain businesses of our advertisers including, for example, distribution of pharmaceuticals, alcohol or other regulated substances, adult content, tobacco, or firearms, as well as insurance and securities brokerage, and legal services, can be unclear. Internationally, we may also be subject to laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country. Our Digital Media and Cloud Services businesses utilize contractors, freelancers and/or staff from third party outsourcers to provide content and other services. However, in the future, arrangements with such individuals may not be deemed appropriate by the relevant government authority, which could result in additional costs and expenses. We may incur substantial liabilities for expenses necessary to defend such litigation or to comply with these laws and regulations, as well as potential substantial penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

The use of consumer data by online service providers and advertising networks is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled and evolving. Federal, state, and international laws and regulations govern the collection, use, retention, disclosure, sharing, and security of data that we receive from and about our users. Our privacy and cookie policies and practices concerning the collection, use, and disclosure of user data are posted on our websites.

A number of U.S. federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act ("DMCA") is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act ("CDA") are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and the CDA in conducting our business. If these or other laws or judicial interpretations are changed to narrow their protections, or if international jurisdictions refuse to apply similar provisions in foreign lawsuits, we will be subject to greater risk of liability, our costs of compliance with these regulations or to defend litigation may increase, or our ability to operate certain lines of business may be limited. The Children's Online Privacy Protection Act ("COPPA") is intended to impose restrictions on the ability of online services to collect some types of information from children under the age of 13. In addition, the Providing Resources, Officers, and Technology to Eradicate Cyber Threats to Our Children Act of 2008 ("PROTECT Act") requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances, as well as other federal, state or international laws and legislative efforts designed to protect children on the internet may impose additional requirements on us. U.S. export control laws and regulations impose requirements and restrictions on exports to certain nations and persons and on our business.

In certain instances, we may be subject to enhanced privacy obligations based on the type of information we store and process. While we believe we are in compliance with the relevant laws and regulations, we could be subject to enforcement actions, fines, forfeitures, and other adverse actions.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act"), which allows for penalties that run into the millions of dollars, requires commercial emails to include identifying information from the sender and a mechanism for the receiver to opt out of receiving future emails. Several states have enacted additional, more restrictive and punitive laws regulating commercial email. Foreign legislation exists as well, including Canada's Anti-Spam Legislation and the European laws that have been enacted pursuant to the GDPR and European Union Directive 2002/58/EC and its amendments. We use email as a significant means of communicating with our existing and potential users. We believe that our email practices comply with the requirements of the CAN-SPAM Act, state laws, and applicable foreign legislation. If we were ever found to be in violation of these laws and regulations, or any other laws or regulations, our business, financial condition, operating results, and cash flows could be materially adversely affected.

Many third-parties are examining whether the Americans with Disabilities Act ("ADA") concept of public accommodation also extends to websites and to mobile applications. Generally, some plaintiffs have argued that websites and mobile applications are places of public accommodation under Title III of the ADA and, as such, must be equipped so that individuals with disabilities can navigate and make use of subject websites and mobile applications. The issue is currently under litigation and there is a split in the federal court of appeals circuits as to what the ADA requires. Certain appellate circuits have found that websites standing alone are subject to the ADA and therefore must be accessible to people with disabilities. Other circuits, including the Ninth Circuit, which has appellate jurisdiction over federal district courts in California and is where our company is headquartered, have found that in order for websites to be places of public accommodation, and therefore subject to the ADA, there must be both a nexus between the website and the goods and services the website provides as well as a physical brick and mortar location for consumers. We cannot predict how the ADA will ultimately be interpreted as applied to websites and mobile applications.

We believe we are in compliance with relevant law. If the law changes or if certain courts with appellate jurisdiction outside of California attempt to exercise jurisdiction over us and find that our website and mobile applications must comply with the ADA, then any adjustments or requirements to implement any changes prescribed by the ADA could result in increased costs to our business, we may become subject to injunctive relief, plaintiffs may be able to recover attorneys' fees, and it is possible that, while the ADA does not provide for monetary damages, we become subject to such damages through state consumer protection or other laws. It is possible that these potential liabilities could cause a material adverse effect on our operations and harm our business reputation.

Native advertising is an increasing part of our Digital Media business's online advertising revenue. On December 22, 2015, the FTC issued Guidelines and an Enforcement Policy Statement on native advertising, described by the FTC as, in part, ads which often "resemble the design, style, and functionality of the media in which they are disseminated." The Company believes it is compliant with the requirements of these guidelines on our current practices and offerings. However, we will continue to monitor what effect this guideline and other related government regulations, and how the FTC enforces it, could have on our native advertising and branded content business. In addition, the timing and extent of any enforcement by the FTC with regard to the native advertising practices by the Company, or others, could reduce the revenue we generate from this line of business. The UK similarly has issued guidelines on native advertising in the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing ("CAP Code") and is regulated, in part, by the Advertising Standards Authority. The Company believes it is compliant with the requirements of the CAP Code on our current practices and offerings and will continue to monitor the effect of these and other related governmental regulations.

As of May 25, 2018, certain data transfers from and between the European Union ("EU") are subject to the GDPR. As discussed in more detail below, the GDPR prohibits data transfers from the EU to other countries outside of the EU, including the U.S., without appropriate security safeguards and practices in place. Previously, for certain data transfers from and between the EU and the U.S., J2 Global, like many other companies, had relied on what is referred to as the "EU-U.S. Safe Harbor," in order to comply with privacy obligations imposed by EU countries. The European Court of Justice invalidated the EU-U.S. Safe Harbor. Additionally, other countries that relied on the EU-U.S. Safe Harbor that were not part of the EU have also found that data transfers to the U.S. are no longer valid based on the European Court of Justice ruling. Although U.S. and EU policymakers approved a new framework known as "Privacy Shield" that would allow companies like us to continue to rely on some form of a safe harbor for the transfer of certain data from the EU to the U.S., on July 16, 2020, the Court of Justice of the European Union issued a judgment declaring as "invalid" the European Commission's Decision (EU) 2016/1250 on the adequacy of the protection provided by the EU-U.S. Privacy Shield, rendering it invalid. We cannot predict how or if these issues will be resolved nor can we evaluate any potential liability at this time.

The Company has put into place various alternative frameworks and grounds on which to rely in order to be in compliance with relevant law for the transfer of data from overseas locations to the U.S. including reviewing Company's data collection process, procedures and putting into place Data Processing Agreements that incorporate Standard Contractual Clauses as well as supplementary measures with vendors, partners and other third parties. Some independent data regulators have adopted the position that other forms of compliance are also invalid though the legal grounds for these findings remain unclear at this time. We cannot predict at this time whether the alternative grounds that J2 Global continues to implement will be found to be consistent with relevant laws nor can we evaluate what, if any, potential liability may be at this time.

On June 28, 2018, the California legislature enacted the CCPA, which took effect on January 1, 2020 and became enforceable starting July 1, 2020. The CCPA, which covers business that obtain or access personal information on California resident consumers, grants consumers enhanced privacy rights and control over their personal information and imposes significant requirements on covered companies with respect to consumer data privacy rights. The CCPA provides consumers with the right to opt out of the sale of their personal information including the requirement to include a "Do Not Sell" link on our websites and applications that sell personal data of California resident consumers. Based on the final implementation regulations released by the California Attorney General in August 2020, we believe we have implemented such links where necessary, we action consumer opt outs and other subject rights when requested, and our privacy policies have been updated and posted on our websites. We are continuing to evaluate the impact to our business, if any. In addition, in November 2020 California voters adopted the California Privacy Rights Act ("CPRA") that amends the CCPA, including creating a new agency to implement and enforce the law. The CPRA will take effect on January 1, 2023 and is subject to a number of required rule-makings. Until that rule-making is complete, we cannot fully evaluate the impact of the CPRA on our businesses. Other states are proposing similar privacy laws and if those are passed, our Company may be subject to additional requirements and restrictions that could have an impact on our business.

Further, failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing, or security of personal information, or other privacy, data-retention or data protection matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users and advertising partners, which could adversely affect our business. Changes in these or any other laws and regulations or the interpretation of them could increase our future compliance costs, limit the amount and type of data we can collect, transfer, share, or sell, make our products and services less attractive to our users, or cause us to change or limit our business practices. Further, any failure on our part to comply with any relevant laws or regulations may subject us to significant civil or criminal liabilities.

Moreover, our Everyday Health Group business may be subject to government oversight or regulation by Congress, the FDA, the U.S. Department of Health and Human Services and state legislatures and regulatory agencies. In addition, certain services provided by Everyday Health Group constituent businesses are also subject to private regulation both directly by accrediting bodies and indirectly by industry codes followed by commercial supporters of CME and CE programs.

If we are subject to burdensome laws or regulations or if we fail to adhere to the requirements of public or private regulations, our business, financial condition and results of operations could suffer.

If we are unable to continue to attract visitors to our websites from search engines, then consumer traffic to our websites could decrease, which could negatively impact the sales of our products and services, our advertising revenue and the number of purchases generated for our retailers through our Digital Media marketplace.

We generate consumer traffic to our websites using various methods, including search engine marketing, or SEM, search engine optimization, or SEO, email campaigns and social media referrals. Our net revenues and profitability levels are dependent upon our continued ability to use a combination of these methods to generate consumer traffic to our websites in a cost-efficient manner. We have experienced and continue to experience fluctuations in search result rankings for a number of our websites. There can be no assurances that we will be able to grow or maintain current levels of consumer traffic.

Our SEM and SEO techniques have been developed to work with existing search algorithms utilized by the major search engines. Major search engines frequently modify their search algorithms. Changes in these algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. In addition, we use keyword advertising to improve our search ranking and to attract users to our sites. If we fail to follow legal requirements regarding the use of keywords or search engine guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their indices.

Any decline in consumer traffic to our websites could adversely impact the amount of ads that are displayed and the number of purchases we generate for our retailers, which could adversely affect our net revenues. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which would adversely affect our operating results and which may not be offset by additional net revenues.

Government and private actions or self-regulatory developments regarding internet privacy matters could adversely affect our ability to conduct our business.

Our Digital Media business collects and sells data about its users' online behavior and the revenue associated with this activity could be impacted by government regulation and enforcement, industry trends, self-regulation, technology changes, consumer behavior and attitude, and private action. We also use such information to work with our advertisers to more effectively target ads to relevant users and consumers, which ads command a higher rate.

Many of our users voluntarily provide us with demographic and other information when they register for one of our services or properties. In order for our Everyday Health Group brands to deliver marketing and communications solutions to pharmaceutical and medical device companies, health insurers, hospital systems, and other customers, we rely on data provided by our users. We also purchase data from third-party sources to augment our user profiles and marketing databases so we are better able to personalize content, enhance our analytical capabilities and better target our marketing programs. If changes in user sentiment regarding the sharing of information results in a significant number of visitors to our websites and applications refusing to provide us with information such as demographic information, information about their specific health interests, or profession information, our ability to personalize content for our users and provide targeted marketing solutions would be impaired. If our users choose to opt-out of having their data used for behavioral targeting, it would be more difficult for us to offer targeted marketing programs to our customers.

We append data from third-party sources to augment our user profiles. If we are unable to acquire data from third-party sources for whatever reason, or if there is a marked increase in the cost of obtaining such data, our ability to personalize content and provide marketing solutions could be negatively impacted.

The use of such consumer data by online service providers and advertising networks is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled. Federal, state, and international laws and regulations govern the collection, use, retention, disclosure, sharing and security of data that we receive from and about our users. Our privacy policies and practices concerning the collection, use, and disclosure of user data are posted on our websites.

New and expanding "Do Not Track" regulations have recently been enacted or proposed that protect users' right to choose whether or not to be tracked online. These regulations seek, among other things, to allow consumers to have greater control over the use of private information collected online, to forbid the collection or use of online information, to demand a business to comply with their choice to opt out of such collection or use, and to place limits upon the disclosure of information to third party websites. Similarly, exercise of the "Do Not Sell" right under the CCPA limits a business' ability to monetize certain personal information collected online. The CPRA will require businesses to treat "Do Not Track" and other similar "global privacy control" browser settings as opt outs from the sale of a user's personal information. These laws and regulations could have a significant impact on the operation of our advertising and data businesses. U.S. regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilizes cookies or other tracking tools. Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices.

We may be required or otherwise choose to adopt Do Not Track mechanisms or self-regulation principles, or provide opt-outs from the sale of certain user data, in which case our ability to use our existing tracking technologies, to collect and sell user behavioral data, and permit their use by other third parties could be impaired. This could cause our net revenues to decline and adversely affect our operating results.

U.S. and foreign governments have enacted or considered or are considering legislation or regulations that could significantly restrict our ability to collect, augment, analyze, use and share deidentified or anonymous data, which could increase our costs and reduce our revenue.

We operate across many different markets both domestically and internationally which may subject us to cybersecurity, privacy, data security and data protection laws with uncertain interpretations as well as impose conflicting obligations on us.

Cybersecurity, privacy, data security, and data protection laws are constantly evolving at the federal and state levels in the United States, as well as abroad. We are currently subject to such laws both at the federal and state levels in the U.S. as well as similar laws in a variety of international jurisdictions. The interpretation of these laws may be uncertain and may also impose confliction obligations on us. While we work to comply with all applicable law and relevant "best practices" addressing cybersecurity, privacy, data security and data protection, this is an area of the law that is constantly evolving as are the relevant industry codes and threat matrix. Further it is possible that applicable law and "best practices" are interpreted in an inconsistent or conflicting manner either by differing federal, state or international authorities or across the jurisdictions in which we operate. Any failure or perceived failure by us, our partners, our vendors, or third parties on which we rely could result in a significant liability to us (including in the form of judicial decisions and/or settlements, regulatory findings and/or forfeitures, and other means), cause considerable harm to us and our reputation (including requiring notification to customers, regulators, and/or the media), cause a loss of confidence in our products and services, and deter current and potential customers from using our services. Any of these events could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

The GDPR and the CCPA impose significant compliance costs and exposes the Company to substantial risks.

The EU has traditionally imposed more strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in a variation of privacy standards from country to country. The GDPR harmonizes EU data privacy laws and contains significant obligations and requirements that have resulted in a greater compliance burden with respect to our operations and data use in Europe, which will continue to increase our costs. The CCPA similarly contains significant obligations and requirements that have resulted in a greater compliance burden with respect to our operations and data usage of California residents, which will continue to increase our costs. Additionally, government authorities will have more power to enforce compliance and impose substantial penalties for any failure to comply. In addition, individuals have the right to compensation under the GDPR, and individuals may have the right to file a class action under the CCPA in certain circumstances. In the event the Company fails to maintain compliance, the Company could be exposed to material damages, costs and/or fines if an EU government authority, an EU resident, the California Attorney General or a California resident commenced an action. Failure to comply or maintain compliance could cause considerable harm to us and our reputation (including requiring notification to customers, regulators, and/or the media), cause a loss of confidence in our products and services, and deter current and potential customers from using our services. Any of these events could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

We face potential liability related to the privacy and security of health-related information we collect from, or on behalf of, our consumers and customers.

The privacy and security of information about the physical or mental health or condition of an individual is an area of significant focus in the U.S. because of heightened privacy concerns and the potential for significant consumer harm from the misuse of such sensitive data. We have procedures and technology in place intended to safeguard the information we receive from customers and users of our services from unauthorized access or use.

The Privacy Standards and Security Standards under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) establish a set of basic national privacy and security standards for the protection of individually identifiable health information by health plans, healthcare clearinghouses and certain healthcare providers, referred to as “covered entities”, and the business associates with whom such covered entities contract for services. Notably, whereas HIPAA previously directly regulated only these covered entities, the Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”) makes certain of HIPAA’s Privacy and Security Standards directly applicable to covered entities’ business associates. As a result, business associates are now subject to significant civil and criminal penalties for failure to comply with applicable Privacy and Security Standards. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA.

HIPAA directly applies to covered entities such as hospital clients of certain of our subsidiaries. Since these clients disclose protected health information to our subsidiaries so that those subsidiaries can provide certain services to them, those subsidiaries are business associates of those clients. In addition, we may sign business associate agreements in connection with the provision of the products and services developed for other third parties or in connection with certain of our other services that may transmit or store protected health information.

Failure to comply with the requirements of HIPAA or HITECH or any of the applicable federal and state laws regarding patient privacy, identity theft prevention and detection, breach notification and data security may subject us to penalties, including civil monetary penalties and, in some circumstances, criminal penalties or contractual liability under agreements with our customers and clients. Any failure or perception of failure of our products or services to meet HIPAA, HITECH and related regulatory requirements could expose us to risks of investigation, notification, litigation, penalty or enforcement, adversely affect demand for our products and services and force us to expend significant capital and other resources to modify our products or services to address the privacy and security requirements of our clients and HIPAA and HITECH.

Developments in the healthcare industry could adversely affect our business.

A significant portion of Everyday Health Group's advertising and sponsorship revenues is derived from the healthcare industry, including pharmaceutical, medical device, over-the-counter and consumer-packaged-goods companies, and could be affected by changes affecting healthcare spending. Industry changes affecting healthcare spending could impact the market for these offerings. General reductions in expenditures by healthcare industry participants could result from, among other things:

- government regulation or private initiatives that affect the manner in which healthcare industry participants interact with consumers and the general public;
- consolidation of healthcare industry participants;
- reductions in governmental funding for healthcare; and
- adverse changes in business or economic conditions affecting pharmaceutical and medical device companies or other healthcare industry participants.

Even if general expenditures by industry participants remain the same or increase, developments in the healthcare industry may result in reduced spending in some or all of the specific market segments that we serve now or in the future. For example, use of our content offerings and the sale of our products and services could be affected by:

- changes in the design and provision of health insurance plans;
- a decrease in the number of new drugs or pharmaceutical and medical device products coming to market; and
- decreases in marketing expenditures by pharmaceutical or medical device companies as a result of governmental regulation or private initiatives that discourage or prohibit advertising or sponsorship activities by pharmaceutical or medical device companies.

The healthcare industry has changed significantly in recent years, and we expect that significant changes to the healthcare industry will continue to occur. However, the timing and impact of developments in the healthcare industry are difficult to predict. We cannot assure you that the demand for our offerings will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in the healthcare industry.

Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies with our Everyday Health Group set of brands.

The healthcare industry is highly regulated and subject to changing political, legislative, regulatory and other influences. Existing and future laws and regulations affecting the healthcare industry could create unexpected liabilities for us, cause us to incur additional costs and restrict our operations. Many healthcare laws are complex, and their application may not be clear. Our failure to accurately anticipate the application of these laws and regulations, or other failure to comply with such laws and regulations, could create liability for us. Even in areas where we are not subject to healthcare regulation directly, we may become involved in governmental actions or investigations through our relationships with customers that are regulated, and participation in such actions or investigations, even if we are not a party and not the subject of an investigation, may cause us to incur significant expenses. Additionally, government actions, investigations, or pronouncements, or a change in self-regulatory organization rules or healthcare industry norms, might impact healthcare industry customer views of risks associated with purchasing our services and result in a reduction in their expenditures.

For example, there are federal and state laws that govern patient referrals, physician financial relationships and inducements to healthcare providers and patients. The federal healthcare programs' anti-kickback provisions prohibit any person or entity from willingly offering, paying, soliciting or receiving anything of value, directly or indirectly, to induce or reward, or in return for either the referral of patients covered by Medicare, Medicaid and other federal healthcare programs or the leasing, purchasing, ordering or arranging for or recommending the lease, purchase or order of any item, good, facility or service covered by these programs. Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. Our sale of advertising and sponsorships to healthcare providers implicates these laws. However, we review our practices to ensure that we comply with all applicable laws. The laws in this area are broad and we cannot determine precisely how they will be applied to our business practices. Any determination by a state or federal regulatory agency that any of our practices violate any of these laws could subject us to liability and require us to change or terminate some portions of our business.

Further, we derive revenues from the sale of advertising and promotion of prescription and over-the-counter drugs and medical devices. If the FDA or the FTC finds that any of the information provided on our properties violates FDA or FTC regulations, they may take regulatory or judicial action against us and/or the advertiser of that information. State attorneys general may also take similar action based on their state's consumer protection statutes. Any increase or change in regulation of advertising and promotion in the healthcare industry could make it more difficult for us to generate and grow our advertising and sponsorship revenues.

In addition, the practice of most healthcare professions requires licensing under applicable state law and state laws may further prohibit business entities from practicing medicine, which is referred to as the prohibition against the corporate practice of medicine. Similar state prohibitions may exist with respect to other licensed professions. We believe that we do not engage in the practice of medicine or any other licensed healthcare profession, or provide, through our properties, professional medical advice, diagnosis, treatment or other advice that is tailored in such a way as to implicate state licensing or professional practice laws. However, a state may determine that some portion of our business violates these laws and may seek to have us discontinue those portions or subject us to penalties or licensure requirements. Any determination that we are a healthcare provider and acted improperly as a healthcare provider may result in liability to us.

Our business could suffer if providers of broadband internet access services block, impair or degrade our services.

Our business is dependent on the ability of our cloud services customers and visitors to our digital media properties to access our services and applications over broadband internet connections. Internet access providers and internet backbone providers may be able to block, degrade or charge for access or bandwidth use of certain of our products and services, which could lead to additional expenses and the loss of users. Our products and services depend on the ability of our users to access the internet. Use of our services and applications through mobile devices, such as smartphones and tablets, must have a high-speed data connection. Broadband internet access services, whether wireless or landline, are provided by companies with significant market power. Many of these providers offer products and services that directly compete with ours.

Many of the largest providers of broadband services have publicly stated that they will not degrade or disrupt their customers' use of applications and services, like ours. If such providers were to degrade, impair or block our services, it would negatively impact our ability to provide services to our customers and likely result in lost revenue and profits, and we would incur legal fees in attempting to restore our customers' access to our services. Broadband internet access providers may also attempt to charge us or our customers additional fees to access services like ours that may result in the loss of customers and revenue, decreased profitability, or increased costs to our retail offerings that may make our services less competitive.

Our business could suffer if we cannot obtain or retain numbers, are prohibited from obtaining local numbers or are limited to distributing local numbers to only certain customers.

The future success of our number-based cloud services business depends on our ability to procure large quantities of local numbers in the U.S. and foreign countries in desirable locations at a reasonable cost and offer our services to our prospective customers without restrictions. Our ability to procure and distribute numbers depends on factors such as applicable regulations, the practices of telecommunications carriers that provide numbers, the cost of these numbers and the level of demand for new numbers. For example, several years ago the FCC conditionally granted petitions by Connecticut and California to adopt specialized "unified messaging" area codes, but neither state has adopted such a code. Adoption of a specialized area code within a state or nation could harm our ability to compete in that state or nation if it materially affects our ability to acquire numbers for our operations or makes our services less attractive due to the unavailability of numbers with a local geographic area.

In addition, although we are the customer of record for all of our U.S. numbers, from time to time, certain U.S. telephone carriers inhibit our ability to port numbers or port our numbers away from us to other carriers. If a federal or regulatory agency determines that our customers should have the ability to port numbers without our consent, we may lose customers at a faster rate than what we have experienced historically, potentially resulting in lower revenues. Also, in some foreign jurisdictions, under certain circumstances, our customers are permitted to port their numbers to another carrier. These factors could lead to increased cancellations by our Cloud Services customers and loss of our number inventory. These factors may have a material adverse effect on our business, prospects, financial condition, operating results, cash flows and growth in or entry into foreign or domestic markets.

In addition, future growth in our number-based cloud services subscriber base, together with growth in the subscriber bases of other providers of number-based services, has increased and may continue to increase the demand for large quantities of numbers, which could lead to insufficient capacity and our inability to acquire sufficient numbers to accommodate our future growth.

We may be subject to increased rates for the telecommunications services we purchase from regulated carriers which could require us to either raise the retail prices of our offerings and lose customers or reduce our profit margins.

The FCC adopted wide-ranging reforms to the system under which regulated providers of telecommunications services compensate each other for the exchange of various kinds of traffic. While we are not a provider of regulated telecommunications services, we rely on such providers to offer our cloud services to our customers. As a result of the FCC's reforms, regulated providers of telecommunications services are determining how the rates they charge customers like us will change in order to comply with the new rules. It is possible that some or all of our underlying carriers will increase the rates we pay for certain telecommunications services. Should this occur, the costs we incur to provide number-based cloud services may increase which may require us to increase the retail price of our services. Increased prices could, in turn, cause us to lose customers, or, if we do not pass on such higher costs to our subscribers, our profit margins may decrease.

New technologies have been developed that are able to block certain of our advertisements or impair our ability to serve interest-based advertising which could harm our operating results.

Technologies have been developed and are likely to continue to be developed that can block internet or mobile display advertising. Most of our Digital Media business revenues are derived from fees paid by advertisers in connection with the display of advertisements or clicks on advertisements on web pages or mobile devices. As a result, such technologies and tools are reducing the number of display advertisements that we are able to deliver or our ability to serve our interest-based advertising and this, in turn, could reduce our advertising revenue and operating results. Adoption of these types of technologies by more of our users could have a material impact on our revenues. We have implemented third party products to combat these ad-blocking technologies and are developing other strategies to address advertisement blocking. However, our efforts may not be successful to offset the potential increasing impact of these advertising blocking products.

If we or our third-party service providers fail to prevent click fraud or choose to manage traffic quality in a way that advertisers find unsatisfactory, our profitability may decline.

A portion of our display revenue comes from advertisers that pay for advertising on a price-per-click basis, meaning that the advertisers pay a fee every time a user clicks on their advertising. This pricing model can be vulnerable to so-called "click fraud," which occurs when clicks are submitted on ads by a user who is motivated by reasons other than genuine interest in the subject of the ad. We or our third-party service providers may be exposed to the risk of click fraud or other clicks or conversions that advertisers may perceive as undesirable. If fraudulent or other malicious activity is perpetrated by others and we or our third-party service providers are unable to detect and prevent it, or choose to manage traffic quality in a way that advertisers find unsatisfactory, the affected advertisers may experience or perceive a reduced return on their investment in our advertising programs which could lead the advertisers to become dissatisfied with our advertising programs and they might refuse to pay, demand refunds, or withdraw future business. Undetected click fraud could damage our brands and lead to a loss of advertisers and revenue.

The industries in which we operate are undergoing rapid technological changes and we may not be able to keep up.

The industries in which we operate are subject to rapid and significant technological change. We cannot predict the effect of technological changes on our business. We expect that new services and technologies will emerge in the markets in which we compete. These new services and technologies may be superior to the services and technologies that we use or these new services may render our services and technologies obsolete. Our future success will depend, in part, on our ability to anticipate and adapt to technological changes and evolving industry standards. We may be unable to obtain access to new technologies on acceptable terms or at all, and may therefore be unable to offer services in a competitive manner. Any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Risks Related To Our Stock

The fundamental change purchase features of the Convertible Notes and the change of control features of the Senior Notes may delay or prevent an otherwise beneficial attempt to take over our company.

The terms of the Convertible Notes require us to offer to purchase the Convertible Notes for cash in the event of a fundamental change (as defined in the indenture governing the 3.25% Convertible Notes and the indenture governing the 1.75% Convertible Notes), and the terms of the Senior Notes require us to offer to repurchase the Senior Notes for cash in the event of a change of control (as defined in the indenture governing the Senior Notes). These features may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors.

Conversions of the Convertible Notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their Convertible Notes.

The conversion of some or all of the Convertible Notes will dilute the ownership interests of our existing stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could depress the price of our common stock.

We are a holding company and our operations are conducted through, and substantially all of our consolidated assets are held by, our subsidiaries, which are subject to certain restrictions on their ability to pay dividends to us to fund dividends on our stock, pay interest on the Convertible Notes and fund other holding company expenses.

We are a holding company. We conduct substantially all of our operations through our subsidiaries. A substantial portion of our consolidated assets is held by our subsidiaries. Accordingly, our ability to pay dividends on our stock, service our debt, including the Convertible Notes and fund other holding company expenses depends on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise. Dividends, loans or other distributions to us from such subsidiaries could be subject to future contractual and other restrictions.

Future sales of our common stock may negatively affect our stock price.

As of February 24, 2021, substantially all of our outstanding shares of common stock were available for resale, subject to volume and manner of sale limitations applicable to affiliates under SEC Rule 144. Sales of a substantial number of shares of common stock in the public market or the perception of such sales could cause the market price of our common stock to decline. These sales also might make it more difficult for us to issue equity securities in the future at a price that we think is appropriate, or at all.

Anti-takeover provisions could negatively impact our stockholders.

Provisions of Delaware law and of our certificate of incorporation and bylaws could make it more difficult for a third-party to acquire control of us. For example, we are subject to Section 203 of the Delaware General Corporation Law, which would make it more difficult for another party to acquire us without the approval of our Board of Directors. Additionally, our certificate of incorporation authorizes our Board of Directors to issue preferred stock without requiring any stockholder approval, and preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third-party to acquire us even if an acquisition might be in the best interest of our stockholders.

Our stock price may be volatile or may decline.

Our stock price and trading volumes have been volatile and we expect that this volatility will continue in the future due to factors, such as:

- Assessments of the size of our subscriber base and our average revenue per subscriber, and comparisons of our results in these and other areas versus prior performance and that of our competitors;
- Variations between our actual results and investor expectations;
- Regulatory or competitive developments affecting our markets;
- Investor perceptions of us and comparable public companies;
- Conditions and trends in the communications, messaging and internet-related industries;
- Announcements of technological innovations and acquisitions;
- Introduction of new services by us or our competitors;
- Developments with respect to intellectual property rights;
- Conditions and trends in the internet and other technology industries;
- Rumors, gossip or speculation published on public chat or bulletin boards;
- General market conditions;
- Geopolitical events such as war, threat of war or terrorist actions; and
- Global health pandemics.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stocks of technology and other companies, particularly communications and internet companies. These broad market fluctuations have previously resulted in a material decline in the market price of our common stock. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. We may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and resources, which could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2020, we leased approximately 48,000 square feet of office space for our global headquarters in Los Angeles, California under a lease that expires on January 31, 2031. The Digital Media business is headquartered in New York City, where it leases approximately 39,000 square feet of office space pursuant to a lease that extends through October 2024. Digital Media's Everyday Health division occupies 80,000 square feet of office space pursuant to a lease that extends through October 2023. Additionally, we have smaller leased offices throughout Asia, North America, Europe and Australia.

All of our network equipment is housed either at our leased properties or at one of our multiple co-location facilities around the world. We believe our current facilities are generally in good operating condition and are sufficient to meet our needs for the foreseeable future.

Item 3. Legal Proceedings

See Note 12, "Commitments and Contingencies", to our accompanying consolidated financial statements for a description of our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "JCOM".

Holders

We had 246 registered stockholders as of February 24, 2021. That number excludes the beneficial owners of shares held in "street" name or held through participants in depositories.

Dividends

We initiated a quarterly cash dividend program in August 2011 with a payment of $0.20 per share of common stock on September 19, 2011. We have paid an increasing quarterly cash dividend in each subsequent calendar quarter through June 4, 2019.

The following is a summary of each dividend declared during fiscal year 2019:

Declaration Date	Dividend per Common Share		Record Date	Payment Date
February 6, 2019	$	0.4450	February 25, 2019	March 12, 2019
May 2, 2019	$	0.4550	May 20, 2019	June 4, 2019

Future dividends are subject to Board approval. Based on the significant number of current investment opportunities within the Company's portfolio of businesses and the historic returns from prior investments, the Board of Directors suspended dividend payments for the foreseeable future after the June 4, 2019 payment.

Recent Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

Effective February 15, 2012, the Company's Board of Directors approved a program authorizing the repurchase of up to five million shares of our common stock through February 20, 2013 (the "2012 Program") which was subsequently extended through February 20, 2021.

In July 2016, the Company acquired and subsequently retired 935,231 shares of J2 Global common stock in connection with the acquisition of Integrated Global Concepts, Inc. As a result of the purchase of J2 Global common stock, the Company's Board of Directors approved a reduction in the number of shares available for purchase under the 2012 Program by the same amount.

In November 2018 and May 2019, the Company entered into a Rule 10b5-1 trading plan with a broker to facilitate the repurchase program. 600,000 shares were repurchased in 2018 at an aggregate cost of $42.5 million and were subsequently retired in March 2019. During the year ended December 31, 2019, the Company repurchased 197,870 shares at an aggregate cost of $16.0 million which were subsequently retired in the same year. During the year ended December 31, 2020, the Company repurchased 1,140,819 shares at an aggregate cost of $87.5 million which were subsequently retired in the same year. As of December 31, 2020, we had repurchased all of the available shares under the 2012 Program at an aggregated cost of $204.6 million (including an immaterial amount of commission fees). See Note 14 "Stockholders' Equity" of the Notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference.

On August 6, 2020, the Company's Board of Directors approved a program authorizing the repurchase of up to ten million shares of our common stock through August 6, 2025 (the "2020 Program") in addition to the five million shares repurchased under the 2012 Program. During the year ended December 31, 2020, the Company entered into a Rule 10b5-1 trading plan and repurchased 2,490,599 shares at an aggregate cost of $177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired (see Note 14 - Stockholders' Equity of the Notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference).

As a result of the Company's share repurchase programs, the number of shares available for purchase is 7,509,401 shares of J2 Global common stock.

The following table details the repurchases that were made under and outside the 2020 Program during the three months ended December 31, 2020:

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
ober 1, 2020 - October 31, 2020	22,18[illegible]	$ 67.50	20,723	7,979,277
ember 1, 2020 - November 30, 2020	469,87[illegible]	$ 73.64	469,876	7,509,401
ember 1, 2020 - December 31, 2020	10[illegible]	$ 94.00	—	7,509,401
l	492,163		490,599	7,509,401

[1] Includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with employee stock options and/or the vesting of restricted stock issued to employees.

Equity Compensation Plan Information

The following table provides information as of December 31, 2020 regarding shares outstanding and available for issuance under J2 Global's existing equity compensation plans:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	475,601	$ 69.61	3,424,289
Equity compensation plans not approved by security holders	—	—	—
Total	475,601	$ 69.61	3,424,289

The number of securities remaining available for future issuance includes 2,019,350 and 1,404,939 under our 2015 Stock Option Plan and 2001 Employee Stock Purchase Plan, respectively. Refer to Note 15 to the accompanying consolidated financial statements for a description of these Plans.

Performance Graph

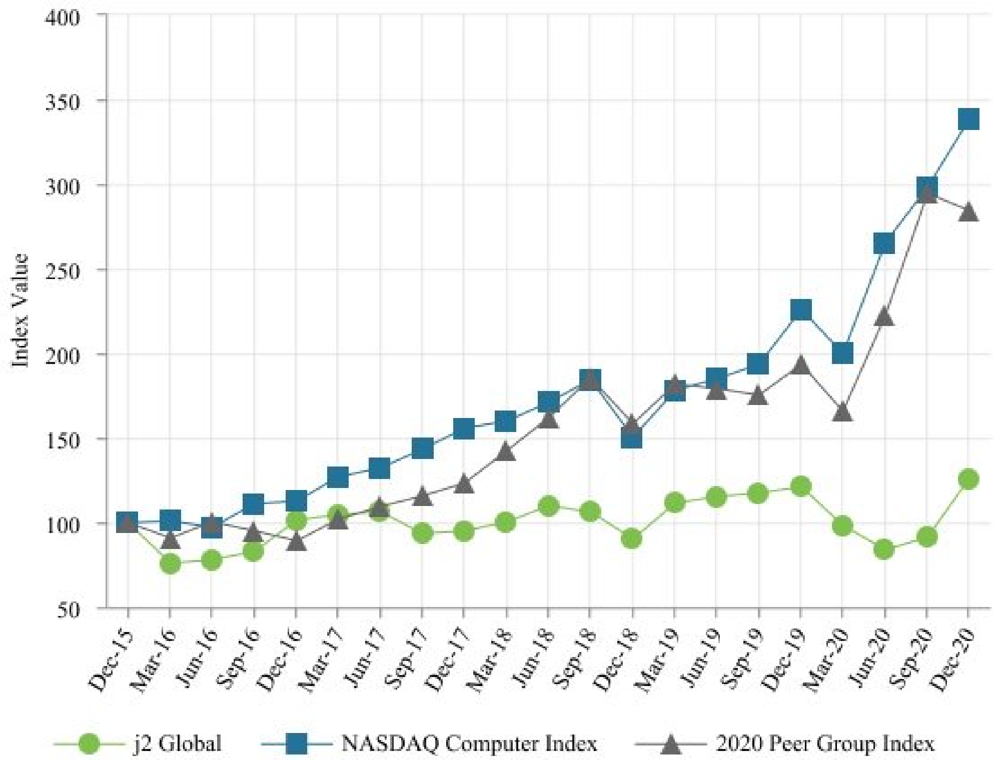
This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of J2 Global under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total stockholder return for J2 Global, the Nasdaq Computer Index and an index of companies that J2 Global has selected as its peer group in the cloud services for business space.

J2 Global's peer group index for 2020 consists of IAC/InterActive Corp., TripAdvisor, Inc., LivePerson, Inc., Zillow Group, Inc., Salesforce.com, Inc., Open Text Corp. and Tyler Technologies, Inc. The Company removed LogMeIn, Inc. since it was acquired during the current year. There were no companies added to the peer group index for 2020.

Measurement points are December 31, 2015 and the last trading day in each of J2 Global's fiscal quarters through the end of fiscal 2020. The graph assumes that $100 was invested on December 31, 2015 in J2 Global's common stock and in each of the indices, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

Measurement Date	J2 Global	Nasdaq Computer Index	2020 Peer Group Index
Dec-15	100.00	100.00	100.00
Mar-16	75.58	100.86	90.83
Jun-16	77.92	96.87	100.33
Sep-16	82.52	110.99	95.11
Dec-16	101.40	112.27	88.93
Mar-17	104.41	126.73	101.60
Jun-17	106.30	132.04	109.30
Sep-17	93.15	143.58	115.54
Dec-17	95.03	155.80	123.38
Mar-18	100.24	159.72	142.03
Jun-18	110.09	170.95	161.86
Sep-18	106.04	184.23	185.13
Dec-18	90.20	150.06	158.24
Mar-19	111.66	178.11	181.40
Jun-19	115.00	185.00	178.85
Sep-19	117.34	193.20	175.05
Dec-19	120.85	225.59	193.58
Mar-20	97.94	199.77	165.93
Jun-20	83.80	265.03	222.29
Sep-20	91.10	297.95	294.46
Dec-20	125.70	337.98	284.44



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Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes contained in this Annual Report on Form 10-K and the information contained herein in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Historical results are not necessarily indicative of future results.

	Years Ended December 31,				
	2020	2019	2018	2017	2016
	(In thousands, except for share and per share amounts)				
Statement of Income Data:					
Revenues	$ 1,489,593	$ 1,372,054	$ 1,207,295	$ 1,117,838	$ 874,255
Cost of revenues	231,782	237,323	201,074	172,313	147,100
Gross profit	1,257,811	1,134,731	1,006,221	945,525	727,155
Operating expenses:					
Sales and marketing	413,474	379,183	338,304	330,296	206,871
Research, development and engineering	64,295	54,396	48,370	46,004	38,046
General and administrative	445,431	424,072	375,267	323,517	239,672
Total operating expenses	923,200	857,651	761,941	699,817	484,589
Income from operations	334,611	277,080	244,280	245,708	242,566
Interest expense, net	131,975	69,546	61,987	67,777	41,370
Gain on sale of businesses	(17,122)	—	—	(25,128)	(7,625)
Loss on investments, net	20,991	4,211	73	4,002	—
Other (income) expense, net	(31,632)	3,725	4,633	(909)	(2,618)
Income before income taxes and net loss in earnings of equity method investment	230,399	199,598	177,587	199,966	211,439
Income tax expense (benefit)	68,393	(19,376)	44,760	60,541	59,000
Net loss in earnings of equity method investment	11,338	168	4,140	—	—
Net income	$ 150,668	$ 218,806	$ 128,687	$ 139,425	$ 152,439
Net income per common share:					
Basic	$ 3.24	$ 4.52	$ 2.64	$ 2.89	$ 3.15
Diluted	$ 3.18	$ 4.39	$ 2.59	$ 2.83	$ 3.13
Weighted average shares outstanding:					
Basic	46,308,825	47,647,397	47,950,746	47,586,242	47,668,357
Diluted	47,122,511	49,025,684	48,927,791	48,669,027	47,963,226
Cash dividends declared per common share	$ —	$ 0.9000	$ 1.6800	$ 1.5200	$ 1.3600

	2020	2019	2018	2017	2016
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 242,652	$ 575,615	$ 209,474	$ 350,945	$ 123,950
Working capital	(259,714)	53,786	153,009	355,325	(106,090)
Total assets	3,665,331	3,505,846	2,560,830	2,453,093	2,062,328
Other long-term liabilities	44,463	10,228	51,068	31,434	3,475
Total stockholders' equity	$ 1,211,018	$ 1,311,192	$ 1,035,744	$ 1,020,305	$ 914,536

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed in Part I, Item 1A - "Risk Factors" in this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Readers should carefully review the Risk Factors and the risk factors set forth in other documents we file from time to time with the SEC.

Overview

J2 Global, Inc., together with its subsidiaries ("J2 Global", "the Company", "our", "us" or "we"), is a leading provider of internet services. Our Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Our Cloud Services business provides cloud-based subscription services to consumers and businesses including cloud fax, cybersecurity, privacy, and marketing technology. We manage our operations through two businesses: Digital Media and Cloud Services.

Our Digital Media business generates revenues from advertising and sponsorships, subscription and usage fees, performance marketing and licensing fees. Our Cloud Services business generates revenues primarily from customer subscription and usage fees.

In addition to growing our business organically, on a regular basis we acquire businesses to grow our customer bases, expand and diversify our service offerings, enhance our technologies, acquire skilled personnel and enter into new markets.

Our consolidated revenues are currently generated from three basic business models, each with different financial profiles and variability. Our Digital Media business is driven primarily by advertising revenues, has relatively higher sales and marketing expense and has seasonal strength in the fourth quarter. Our Cloud Services business is driven primarily by subscription revenues that are relatively higher margin, stable and predictable from quarter to quarter with minor seasonal weakness in the fourth quarter. We continue to pursue additional acquisitions, which may include companies operating under business models that differ from those we operate under today. Such acquisitions could impact our consolidated profit margins and the variability of our revenues.

J2 Global was incorporated in 2014 as a Delaware corporation through the creation of a holding company structure, and our Cloud Services business, operated by our wholly owned subsidiary, J2 Cloud Services, LLC (formerly J2 Cloud Services, Inc.), and its subsidiaries, was founded in 1995.

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic, and we anticipate our customers and our operations in all locations will be affected as the virus continues to proliferate and as a result of the governmental responses to the pandemic. The impact of the COVID-19 pandemic has had a negative effect on the global economy, disrupting the financial markets and creating increasing volatility and overall uncertainty. Given this disruption, volatility and uncertainty, our results may be adversely affected due to various factors affecting our performance. The Company has adjusted certain aspects of our operations to protect our employees and customers while still seeking to meet customers' needs for our vital cloud internet services and digital media services.

Management is actively monitoring the global situation and will take further action to alter our operations as may be required by federal, foreign, state and local authorities or that we determine are otherwise necessary or appropriate under the circumstances. The full extent, duration and overall impact of the COVID-19 pandemic is currently unknown and depends on future developments that are uncertain and unpredictable. Therefore, we are continuing to assess the impact to our results of operations, financial position and liquidity based on our current assessment of the situation which could change based on the spread of the pandemic and additional government action which could limit economic activity or cause for a slower reopening of the economy.

Digital Media Performance Metrics

We use certain metrics to generally assess the operational and financial performance of our Digital Media business. The number of visits is an important metric because it is an indicator of consumers' level of engagement with our mobile applications, websites and other services. We believe highly engaged consumers are more likely to participate in advertising programs and other activities that derive our multiple revenue streams.

We define a visit as a group of interactions by users with our mobile and desktop applications and websites. A single visit can contain multiple page views and actions, and a single user can open multiple visits across domains, web browsers, desktop or mobile devices. We measure visits with Google Analytics and through partner platform measures. Page views are measured each time a page on our websites is loaded in a browser.

The following table sets forth certain key operating metrics for our Digital Media business for the years ended December 31, 2020, 2019 and 2018 (in millions):

	Years ended December 31,		
	2020	2019	2018
Visits	9,091	7,542	7,706
Page views	31,453	29,292	31,727

Sources: Google Analytics and Partner Platforms

Cloud Services Performance Metrics

We use certain metrics to generally assess the operational and financial performance of our Cloud Services business; these metrics also serve as a baseline for (a) internal trends and (b) benchmarking against competitors. The average monthly revenue per customer can be used as an analytical tool in determining the marginal economics of customer acquisition, which is particularly useful as we continue to focus on growing our higher-margin businesses. We also use this metric, in conjunction with the cancel rate, to help provide a directional indicator of Cloud Services revenue and calculate the lifetime value of customers within each of our business units.

The following table sets forth certain key operating metrics for our Cloud Services business for the years ended December 31, 2020, 2019 and 2018 (in thousands, except for percentages):

	Years ended December 31,		
	2020	2019	2018
Subscriber revenues:			
Fixed	$ 571,630	$ 549,739	$ 488,948
Variable	106,383	111,075	108,333
Total subscriber revenues	678,013	660,814	597,281
Other license revenues	448	1,021	694
Total revenues	$ 678,461	$ 661,835	$ 597,975
Percentage of total subscriber revenues:			
Fixed	84.3 %	83.2 %	81.9 %
Variable	15.7 %	16.8 %	18.1 %
Total revenues:			
Number-based	$ 386,899	$ 388,334	$ 393,079
Non-number-based	291,562	273,501	204,896
Total revenues	$ 678,461	$ 661,835	$ 597,975
Average monthly revenue per Cloud Business Customer (ARPU) (1)(2)	$ 13.93	$ 14.54	$ 15.61
Cancel rate (3)	2.3 %	2.4 %	2.1 %

(1) Quarterly ARPU is calculated using our standard convention of applying the average of the quarter's beginning and ending base to the total revenue for the quarter. We believe ARPU provides investors an understanding of the average monthly revenues we recognize associated with each Cloud Services customer. As ARPU varies based on fixed subscription fee and variable usage components, we believe it can serve as a measure by which investors can evaluate trends in the types of services, levels of services and the usage levels of those services across our Cloud Services customer base.

(2) Cloud Services customers are defined as paying direct inward dialing numbers for fax and voice services, and direct and resellers' accounts for other services.

(3) Cancel Rate is defined as cancels of small and medium businesses and individual Cloud Services customers with greater than four months of continuous service (continuous service includes Cloud Services customers administratively canceled and reactivated within the same calendar month), and enterprise Cloud Services customers beginning with their first day of service. Calculated monthly and expressed as an average over the three months of the quarter.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements and related disclosures in accordance with U.S. generally accepted accounting principles ("GAAP") and our discussion and analysis of our financial condition and operating results require us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" of the notes to consolidated financial statements in Part II, Item 8 of this Form 10-K which describes the significant accounting policies and methods used in the preparation of our consolidated financial statements. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ significantly from those estimates under different assumptions and conditions and may be material.

We believe that our most critical accounting policies are those related to revenue recognition, valuation and impairment of investments, our assessment of ownership interests as variable interest entities and the related determination of consolidation, share-based compensation expense, fair value of assets acquired and liabilities assumed in connection with business combinations, long-lived and intangible asset impairment, contingent consideration, income taxes and contingencies and allowance for doubtful accounts. We consider these policies critical because they are those that are most important to the portrayal of our financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Digital Media

Digital Media revenues are earned primarily from the delivery of advertising services and from subscriptions to services and information.

Revenue is earned from the delivery of advertising services on the Company's owned and operated websites and on those websites that are part of Digital Media's advertising network. Depending on the individual contracts with the customer, revenue for these services are recognized over the contract period when any of the following performance obligations are satisfied: (i) when an advertisement is placed for viewing; (ii) when a qualified sales lead is delivered; (iii) when a visitor "clicks through" on an advertisement; or (iv) when commissions are earned upon the sale of an advertised product.

Revenue from subscriptions is earned through the granting of access to, or delivery of, certain data products or services to customers. Subscriptions cover video games and related content, health information, data and other copyrighted material. Revenues under such agreements are recognized over the contract term for use of the service. Revenues are also earned from listing fees, subscriptions to online publications, and from other sources. Subscription revenues are recognized over time.

J2 Global also generates Digital Media revenues through the license of certain assets to clients. Assets are licensed for clients' use in their own promotional materials or otherwise. Such assets may include logos, editorial reviews, or other copyrighted material. Revenues under such license agreements are recognized over the contract term for use of the asset. Technology assets are also licensed to clients. These assets are recognized over the term of the access period. The Digital Media business also generates revenue from other sources which had included marketing and production services. Such other revenues are generally recognized over the period in which the products or services are delivered.

J2 Global also generates Digital Media revenues from transactions involving the sale of perpetual software licenses, related software support and maintenance, hardware used in conjunction with its software, and other related services. Revenue is recognized for these software transactions with multiple performance obligations after (i) the Company has had an approved contract and is committed to perform the respective obligations and (ii) the Company can identify and quantify each obligation and its respective selling price. Once the respective performance obligations have been identified and quantified, revenue will be recognized when the obligations are met, either over time or at a point in time depending on the nature of the obligation.

Revenues from software license performance obligations are generally recognized upfront at the point in time that the software is made available to the customer to download and use. Revenues for related software support and maintenance performance obligations are related to technical support provided to customers as needed and unspecified software product upgrades, maintenance releases and patches during the term of the support period when they are available. The Company is obligated to make the support services available continuously throughout the contract period. Therefore, revenues for support contracts are generally recognized ratably over the contractual period the support services are provided. Hardware product and related software performance obligations, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a bundled performance obligation. The revenues for this bundled performance obligation are generally recognized at the point in time that the hardware and software products are delivered and ownership is transferred to the customer. Other service revenues are generally recognized over time as the services are performed.

The Company records revenue on a gross basis with respect to revenue generated (i) by the Company serving online display and video advertising across its owned and operated web properties, on third-party sites or on unaffiliated advertising networks; (ii) through the Company's lead-generation business; and (iii) through the Company's subscriptions. The Company records revenue on a net basis with respect to revenue paid to the Company by certain third-party advertising networks who serve online display and video advertising across the Company's owned-and-operated web properties and certain third-party sites.

Cloud Services

The Company's Cloud Services revenues substantially consist of monthly recurring subscription and usage-based fees, the majority of which are paid in advance by credit card. The Company defers the portions of monthly, quarterly, semi-annually and annually recurring subscription and usage-based fees collected in advance of the satisfaction of performance obligations and recognizes them in the period earned.

Along with our numerous proprietary Cloud Services solutions, the Company also generates revenues by reselling various third-party solutions, primarily through our email security and online backup lines of business. These third-party solutions, along with our proprietary products, allow the Company to offer customers a variety of solutions to better meet the customer's needs. The Company records revenue on a gross basis with respect to reseller revenue because the Company has control of the specified good or service prior to transferring control to the customer.

Valuation and Impairment of Investments

We account for our investments in debt securities in accordance with Financial Accounting Standards Board ("FASB") ASC Topic No. 320, Investments - Debt Securities ("ASC 320"). Our debt investments are typically comprised of corporate debt securities, which we classify as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses included in other comprehensive income. All debt securities are accounted for on a specific identification basis.

The Company's available-for-sale debt securities are carried at an estimated fair value with any unrealized gains or losses, net of taxes, included in accumulated other comprehensive loss in stockholders' equity. Available-for-sale debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on available-for-sale debt securities are recognized in loss on investments, net on our Consolidated Statements of Operations, and any remaining unrealized losses, net of taxes, are included in accumulated comprehensive loss in stockholders' equity.

We account for our investments in equity securities in accordance with ASC Topic No. 321, Investments - Equity Securities ("ASC 321") which requires the accounting for equity investments (other than those accounted for using the equity method of accounting) generally be measured at fair value for equity securities with readily determinable fair values. For equity securities without a readily determinable fair value that are not accounted for by the equity method, we measure the equity security using cost, less impairment, if any, and plus or minus observable price changes arising from orderly transactions in the same or similar investment from the same issuer. Any unrealized gains or losses will be reported in current earnings (see Note 5 - Investments of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference).

We assess whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions (see Note 5 - Investments of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference).

Variable Interest Entities ("VIE")

A VIE requires consolidation by the entity's primary beneficiary. We evaluate our investments in entities in which we are involved to determine if the entity is a VIE and if so, whether we hold a variable interest and are the primary beneficiary. We have determined that we hold a variable interest in our investment as a limited partner in the OCV Fund I, LP ("OCV Fund", "OCV" or the "Fund"). In determining whether we are the primary beneficiary of the VIE, both of the following characteristics must be present:

a) the Company has the power to direct the activities of the VIE that most significantly impacts the VIEs economic performance (the power criterion); and

b) the Company has the obligation to absorb losses of the VIE, or the right to receive benefits of the VIE, that could potentially be significant to the VIE (the economic criterion).

We have concluded that, as a limited partner, although the obligations to absorb losses or the right to benefit from the gains is not insignificant, we do not have "power" over OCV because we do not have the ability to direct the significant decisions which impact the economics of OCV. We believe that the OCV general partner, as a single decision maker, holds the ability to make the decisions about the activities that most significantly impact the OCV Fund's economic performance. As a result, we have concluded that we will not consolidate OCV, as we are not the primary beneficiary of the OCV Fund, and will account for this investment under the equity-method of accounting. See Note 5, "Investments", of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference.

OCV qualifies as an investment company under ASC 946 - Financial Services, Investment Companies ("ASC 946"). Under ASC Topic 323, Investments - Equity Method and Joint Ventures, an investor that holds investments that qualify for specialized industry accounting for investment companies in accordance with ASC 946 should record its share of the earnings or losses, realized or unrealized, as reported by its equity method investees in the Consolidated Statements of Operations.

We recognize our equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag due to the timing and availability of financial information from OCV. If we become aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which we identify the decline.

Share-Based Compensation Expense

We account for share-based awards to employees and non-employees in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation ("ASC 718"). Accordingly, we measure share-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee's requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate, dividend rate and award cancellation rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, we may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact our results of operations in the period in which the changes are made and in periods thereafter. The Company estimates the expected term based upon the historical exercise behavior of our employees.

Impairment or Disposal of Long-lived and Intangible Assets

J2 Global accounts for long-lived assets, which include property and equipment, operating lease right-of-use assets and identifiable intangible assets with finite useful lives (subject to amortization), in accordance with the provisions of FASB ASC Topic No. 360, Property, Plant, and Equipment ("ASC 360"), which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the expected undiscounted future net cash flows generated by the asset. If it is determined that the asset may not be recoverable, and if the carrying amount of an asset exceeds its estimated fair value, an impairment charge is recognized to the extent of the difference.

We assess the impairment of identifiable definite-lived intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could individually or in combination trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- Significant negative industry or economic trends;
- Significant decline in our stock price for a sustained period; and
- Our market capitalization relative to net book value.

If we determined that the carrying value of definite-lived intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we would record an impairment equal to the excess of the carrying amount of the asset over its estimated fair value.

We have assessed whether events or changes in circumstances have occurred that potentially indicate the carrying amount of definite-lived intangibles and long-lived assets may not be recoverable. In the year ended December 31, 2020, we recorded impairments of certain operating right-of-use assets and associated property and equipment (see Note 11 - Leases of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference). No impairment was recorded for the years ended December 31, 2019, and 2018.

The Company classifies its long-lived assets to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company stops recording depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

Business Combinations and Valuation of Goodwill and Intangible Assets

We apply the acquisition method of accounting for business combinations in accordance with GAAP and uses estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets, including identifiable intangible assets and liabilities acquired. Such estimates may be based on significant unobservable inputs and assumptions such as, but not limited to, revenue growth rates, gross margins, customer attrition rates, royalty rates, discount rates and terminal growth rate assumptions. We use established valuation techniques and may engage reputable valuation specialists to assist with the valuations. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. Intangible assets subject to amortization are amortized over the period of estimated economic benefit ranging from one to 20 years and are included in general and administrative expenses on the Consolidated Statements of Operations. We evaluate our goodwill and indefinite-lived intangible assets for impairment pursuant to FASB ASC Topic No. 350, Intangibles - Goodwill and Other (“ASC 350”), which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested for impairment annually or more frequently if we believe indicators of impairment exist. In connection with the annual impairment test for goodwill, we have the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then we perform the impairment test upon goodwill. The impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation. If the carrying value of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized for the difference. In 2020, we changed the annual goodwill impairment assessment date for the Digital Media business from December 31 to October 1, as we determined this date is preferable, and concluded this was not a material change in accounting principle.

Contingent Consideration

Certain of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future income thresholds or other metrics. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability on the Consolidated Balance Sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities in connection with acquisitions at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (see Note 7 - Fair Value Measurements of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which is incorporated herein by reference). We may use various valuation techniques depending on the terms and conditions of the contingent consideration including a Monte-Carlo simulation. This simulation uses probability distribution for each significant input to produce hundreds or thousands of possible outcomes and the results are analyzed to determine probabilities of different outcomes occurring. Significant increases or decreases to these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our Consolidated Statements of Cash Flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could be materially different from the initial estimates or prior quarterly amounts. Changes in the estimated fair value of our contingent earn-out liabilities and adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in general and administrative expenses on the Consolidated Statements of Operations.

Income Taxes

Our income is subject to taxation in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

We account for income taxes in accordance with FASB ASC Topic No. 740, Income Taxes ("ASC 740"), which requires that deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. GAAP also requires that deferred tax assets are reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. Our valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, we review historical and future expected operating results and other factors to determine whether it is more likely than not that deferred tax assets are realizable.

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. Our effective tax rates could be affected by numerous factors, such as intercompany transactions, the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, the applicability of special tax regimes, losses incurred in jurisdictions for which we are not able to realize the related tax benefit, changes in foreign currency exchange rates, entry into new businesses and geographies, changes to our existing businesses and operations, acquisitions (including integrations) and investments and how they are financed, changes in our stock price, changes in our deferred tax assets and liabilities and their valuation, and changes in the relevant tax, accounting, and other laws, regulations, administrative practices, principles, and interpretations. In addition, a number of countries are actively pursuing changes to their tax laws applicable to corporate multinationals, such as the recently enacted the 2017 Tax Act. Finally, foreign governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to global taxation and materially affect our financial position and results of operations.

Income Tax Contingencies

We calculate current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the following year. Adjustments based on filed returns are recorded when identified in the subsequent year.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax position is required to meet before it can be recognized in the financial statements and applies to all tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the income tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. We recognize accrued interest and penalties related to uncertain income tax positions in income tax expense on our Consolidated Statements of Operations. On a quarterly basis, we evaluate uncertain income tax positions and establish or release reserves as appropriate under GAAP.

As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially to reverse previously recorded tax liabilities. In addition, we may be subject to examination of our tax returns by the U.S. Internal Revenue Service ("IRS") and other domestic and foreign tax authorities.

Non-Income Tax Contingencies

We do not collect and remit sales and use, telecommunication, or similar taxes in certain jurisdictions where we believe that such taxes are not applicable or legally required. Several states and other taxing jurisdictions have presented or threatened us with assessments, alleging that we are required to collect and remit such taxes there.

We are currently under audit or is subject to audit for indirect taxes in various states, municipalities and foreign jurisdictions. We have a $22.5 million reserve established for these matters which is included in other long-term liabilities and accounts payable and accrued expenses on the Consolidated Balance Sheet at December 31, 2020. It is reasonably possible that additional liabilities could be incurred resulting in additional expense, which could have a materially impact on our financial results.

Allowances for Doubtful Accounts

We maintain an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expenses in the Consolidated Statements of Operations. We assess collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when we identify specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, we consider historical collectability based on past due status. We also consider customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. On an ongoing basis, management evaluates the adequacy of these reserves.

Recent Accounting Pronouncements

See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies", to our accompanying consolidated financial statements for a description of recent accounting pronouncements and our expectations of their impact on our consolidated financial position and results of operations.

Results of Operations

Years Ended December 31, 2020, 2019 and 2018

Digital Media

We expect revenue for fiscal year 2021 to be higher compared to the prior-year due to the acquisition of RetailMeNot, subject to the continued risk of the COVID-19 pandemic. We expect the Digital Media business to improve as we integrate our recent acquisitions and over the longer term as advertising transactions continue to shift from offline to online, but these initiatives will be offset by the impact of COVID-19 in the near term. The main focus of our advertising programs is to provide relevant and useful advertising to visitors to our websites and those included within our advertising networks, reflecting our commitment to constantly improve their overall web experience. As a result, we expect to continue to take steps to improve the relevance of the ads displayed on our websites and those included within our advertising networks.

The operating margin we realize on revenues generated from ads placed on our websites is significantly higher than the operating margin we realize from revenues generated from those placed on third-party websites. Growth in advertising revenues from our websites has generally exceeded that from third-party websites. This trend has had a positive impact on our operating margins, and we expect that this will continue for the foreseeable future. However, the trend in advertising spend is shifting to mobile devices and other newer advertising formats which generally experience lower margins than those from desktop computers and tablets. We expect this trend to continue to put pressure on our margins.

We expect acquisitions to remain an important component of our strategy and use of capital in this business; however, we cannot predict whether our current pace of acquisitions will remain the same within this business, especially in light of the current macroeconomic conditions. In a given period, we may close greater or fewer acquisitions than in prior periods or acquisitions of greater or lesser significance than in prior periods. Moreover, future acquisitions of businesses within this space but with different business models may impact Digital Media's overall profit margins.

Cloud Services

Given the uncertainty of the current macroeconomic environment and the impact of the COVID-19 pandemic, we expect 2021 revenue to be higher compared to the prior-year. The main focus of our Cloud Services offerings is to reduce or eliminate costs, increase sales and enhance productivity, mobility, business continuity and security of our customers as the technologies and devices they use evolve over time. As a result, we expect to continue to take steps to enhance our existing offerings and offer new services to continue to satisfy the evolving needs of our customers.

We expect acquisitions to remain an important component of our strategy and use of capital in this business; however, we cannot predict whether our current pace of acquisitions will remain the same within this business, especially in light of the current macroeconomic conditions. In a given period, we may close greater or fewer acquisitions than in prior periods or acquisitions of greater or lesser significance than in prior periods. Moreover, future acquisitions of businesses within this space but with different business models may impact Cloud Services' overall profit margins. Also, as IP licensing often involves litigation, the timing of licensing transactions is unpredictable and can and does vary significantly from period to period. This variability can cause the overall business's financial results to materially vary from period to period.

J2 Global Consolidated

Based on the trends discussed above with respect to our Cloud Services and Digital Media businesses, we anticipate our consolidated revenue for fiscal year 2021 to be higher compared to the prior-year comparable period.

We expect operating profit as a percentage of revenues to generally decrease in the future primarily due to the fact that revenue with respect to our Digital Media business (i) is increasing as a percentage of our revenue on a consolidated basis and (ii) has historically operated at a lower operating margin.

The following table sets forth, for the years ended December 31, 2020, 2019 and 2018, information derived from our Statements of Operations as a percentage of revenues. This information should be read in conjunction with the accompanying financial statements and the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

	Years ended December 31,		
	2020	**2019**	**2018**
Revenues	100%	100%	100%
Cost of revenues	16	17	17
Gross profit	84	83	83
Operating expenses:			
Sales and marketing	28	28	28
Research, development and engineering	4	4	4
General and administrative	30	31	31
Total operating expenses	62	63	63
Income from operations	22	20	20
Interest expense, net	9	5	5
Gain on sale of businesses	(1)	—	—
Loss on investments, net	1	—	—
Other (income) expense, net	(2)	—	—
Income before income taxes and net loss in earnings of equity method investment	15	15	15
Income tax expense (benefit)	5	(1)	4
Net loss in earnings of equity method investment	1	—	—
Net income	10%	16%	11%

Revenues

(in thousands, except percentages)		2020		2019		2018	Percentage Change 2020 versus 2019	Percentage Change 2019 versus 2018
Revenues	$	1,489,593	$	1,372,054	$	1,207,295	9%	14%

Our revenues consist of revenues from our Digital Media business and from our Cloud Services business. Digital Media revenues primarily consist of advertising revenues, subscriptions earned through the granting of access to, or delivery of, certain data products or services to customers, fees paid for generating business leads, and licensing and sale of editorial content and trademarks. Cloud Services revenues primarily consist of revenues from “fixed” customer subscription revenues and “variable” revenues generated from actual usage of our services. We also generate Cloud Services revenues from IP licensing.

Our revenues have increased over the past three years primarily due to a combination of acquisitions and organic growth; partially offset by declines in certain areas of both the Digital Media and Cloud Services businesses.

Cost of Revenues

(in thousands, except percentages)		2020		2019		2018	Percentage Change 2020 versus 2019	Percentage Change 2019 versus 2018
Cost of revenue	$	231,782	$	237,323	$	201,074	(2)%	18%
As a percent of revenue		16%		17%		17%		

Cost of revenues is primarily comprised of costs associated with network operations, content fees, editorial and production costs, customer service, database hosting and online processing fees. The decrease in cost of revenues for the year ended December 31, 2020 was primarily due to lower content fees, campaign fulfillment cost, other editorial and production costs; partially offset by an increase in depreciation and amortization The increase in cost of revenues for the year ended December 31, 2019 was primarily due to an increase in costs associated with businesses acquired in and subsequent to fiscal 2018 that resulted in additional campaign fulfillment, partner inventory, network operations and customer service costs.

Operating Expenses

Sales and Marketing.

(in thousands, except percentages)		2020		2019		2018	Percentage Change 2020 versus 2019	Percentage Change 2019 versus 2018
Sales and Marketing	$	413,474	$	379,183	$	338,304	9%	12%
As a percent of revenue		28%		28%		28%		

Our sales and marketing costs consist primarily of internet-based advertising, sales and marketing, personnel costs and other business development-related expenses. Our internet-based advertising relationships consist primarily of fixed cost and performance-based (cost-per-impression, cost-per-click and cost-per-acquisition) advertising relationships with an array of online service providers. Advertising cost for the years ended December 31, 2020, 2019 and 2018 was $163.7 million (primarily consisting of $91.5 million of third-party advertising costs and $57.7 million of personnel costs), $158.2 million (primarily consisting of $112.4 million of third-party advertising costs and $41.3 million of personnel costs) and $149.7 million (primarily consisting of $100.5 million of third-party advertising costs and $40.8 million of personnel costs), respectively. The increase in sales and marketing expenses from 2019 to 2020 was primarily due to increased personnel costs and advertising associated with the businesses acquired in and subsequent to fiscal 2019. The increase in sales and marketing expenses from 2018 to 2019 was primarily due to increased personnel costs and advertising associated with the businesses acquired in and subsequent to fiscal 2018.

Research, Development and Engineering.

(in thousands, except percentages)	2020	2019	2018	Percentage Change 2020 versus 2019	Percentage Change 2019 versus 2018
Research, Development and Engineering	**$ 64,295**	**$ 54,396**	**$ 48,370**	**18%**	**12%**
As a percent of revenue	**4%**	**4%**	**4%**		

Our research, development and engineering costs consist primarily of personnel-related expenses. The increase in research, development and engineering costs from 2019 to 2020 was primarily due to an increase in costs associated with businesses acquired within the Digital Media business. The increase in research, development and engineering costs from 2018 to 2019 was primarily due to personnel costs associated with acquisitions within the Digital Media business.

General and Administrative.

(in thousands, except percentages)	2020	2019	2018	Percentage Change 2020 versus 2019	Percentage Change 2019 versus 2018
General and Administrative	**$ 445,431**	**$ 424,072**	**$ 375,267**	**5%**	**13%**
As a percent of revenue	**30%**	**31%**	**31%**		

Our general and administrative costs consist primarily of personnel-related expenses, depreciation and amortization, changes in the fair value associated with contingent consideration, share-based compensation expense, bad debt expense, professional fees, severance and insurance costs. The increase in general and administrative expense from 2019 to 2020 was primarily due to the recognition of lease asset impairments and additional depreciation due to leasehold impairments, legal settlements and increased professional fees; partially offset by decreased amortization of intangible assets. The increase in general and administrative expense from 2018 to 2019 was primarily due to additional amortization of intangible assets, increased depreciation expense and personnel costs relating to acquisitions closed during 2018 and 2019.

Share-Based Compensation

The following table represents share-based compensation expense included in cost of revenues and operating expenses in the accompanying Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Years ended December 31,		
	2020	2019	2018
Cost of revenues	$ 535	$ 525	$ 510
Operating expenses:			
Sales and marketing	1,454	1,547	1,798
Research, development and engineering	1,779	1,477	1,553
General and administrative	20,238	20,373	24,232
Total	$ 24,006	$ 23,922	$ 28,093

Non-Operating Income and Expenses

Interest expense, net. Our interest expense, net is generated primarily from interest expense due to outstanding debt, partially offset by interest income earned on cash, cash equivalents and investments. Interest expense, net was $132.0 million, $69.5 million, and $62.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. The increase from 2019 to 2020 was primarily due to increased interest expense associated with the issuance of our 1.75% Convertible Senior Notes in the fourth quarter 2019; and the payment of certain prepayment penalties and write off of issuance costs in connection with the refinancing of our 6.0% Senior Notes and associated issuance of our 4.625% Senior Notes in the fourth quarter 2020. The increase from 2018 to 2019 was primarily due to increased interest expense associated with our line of credit borrowings and issuance of our 1.75% Convertible Senior Notes in the fourth quarter 2019.

Gain on sale of businesses. Our gain on sale of businesses is generated primarily from the sale of certain Voice assets in Australia and New Zealand in the third quarter of 2020. Gain on sale of businesses was $17.1 million, zero, and zero for the years ended December 31, 2020, 2019 and 2018, respectively.

Loss on investments, net. Our loss on investments, net is generated from gains or losses from investments in equity and debt securities. Our loss on investments, net was $21.0 million, $4.2 million, and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our net loss on investments, net increased during fiscal year 2020 versus the prior comparable period due to net losses realized on certain investments as the result of the recapitalization of the investee and overall market volatility. The increase from 2018 to 2019 was attributable to an impairment loss on equity securities.

Other (income) expense, net. Our other (income) expense, net is generated primarily from miscellaneous items and gain or losses on currency exchange. Other (income) expense, net was $(31.6) million, $3.7 million, and $4.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. The change from 2019 to 2020 was attributable to currency exchange gains. The change from 2018 to 2019 was attributable to currency exchange losses.

Income Taxes

Our effective tax rate is based on pre-tax income, statutory tax rates, tax regulations (including those related to transfer pricing) and different tax rates in the various jurisdictions in which we operate. The tax bases of our assets and liabilities reflect our best estimate of the tax benefits and costs we expect to realize. When necessary, we establish valuation allowances to reduce our deferred tax assets to an amount that will more likely than not be realized.

As of December 31, 2020, we had federal net operating loss carryforwards (“NOLs”) of $60.2 million after considering substantial restrictions on the utilization of these NOLs due to “ownership changes”, as defined in the Internal Revenue Code of 1986, as amended. We estimate that all of the above-mentioned federal NOLs will be available for use before their expiration. $59.7 million of the NOLs expire through the year 2037 and $0.5 million of the NOLs carry forward indefinitely depending on the year the loss was incurred.

As of December 31, 2020 and 2019, the Company has no foreign tax credit carryovers. In addition, as of December 31, 2020 and 2019, we had available unrecognized state research and development tax credits of $9.1 million and $3.2 million, respectively, which last indefinitely.

Income tax expense (benefit) amounted to $68.4 million, $(19.4) million and $44.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our effective tax rates for 2020, 2019 and 2018 were 29.7%, (9.7)% and 25.2%, respectively.

The increase in our annual effective income tax rate from 2019 to 2020 was primarily attributable to the following:

1. An increase in tax expense during 2020 due to a $53.7 million tax benefit recognized in 2019 from an intra-entity transfer as part of the reorganization of our international operating structure resulting in the recognition of a deferred tax asset with no comparable event during 2020; and

2. a decrease in the benefit for the portion of our income being taxed in foreign jurisdictions and subject to lower tax rates than in the U.S. (relative to income from U.S. domestic operations); and

3. an increase in tax expense during 2020 due to recording valuation allowances on deferred tax assets related to capital loss carryovers.

The decrease in our annual effective income tax rate from 2018 to 2019 was primarily attributable to the following:

1. a decrease during 2019 from an intra-entity transfer as part of the reorganization of our international operating structure resulting in recognition of a $53.7 million tax benefit and corresponding deferred tax asset; and

2. a decrease in tax expense during 2019 from an overall reduction in our net reserve for uncertain tax positions; partially offset by

3. a decrease in the benefit for the portion of our income being taxed in foreign jurisdictions and subject to lower tax rates than in the U.S. (relative to income from U.S. domestic operations).

In order to provide additional understanding in connection with our foreign taxes, the following represents the statutory and effective tax rate by significant foreign country:

	Ireland	United Kingdom	Canada
Statutory tax rate	12.5%	19.0%	26.5%
Effective tax rate (1)	10.6%	19.2%	26.7%

(1) Effective tax rate excludes certain discrete items.

The statutory tax rate is the rate imposed on taxable income for corporations by the local government in that jurisdiction. The effective tax rate measures the taxes paid as a percentage of pretax profit. The effective tax rate can differ from the statutory tax rate when a company can exempt some income from tax, claim tax credits, or due to the effect of book-tax differences that do not reverse and discrete items.

Significant judgment is required in determining our provision for income taxes and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. Certain of these tax positions have in the past been, and are currently being, challenged, and this may have a significant impact on our effective tax rate if our tax reserves are insufficient.

Equity Method Investment

Net loss in earnings of equity method investment. Net loss in earnings of equity method investment is generated from our investment in the OCV Fund for which we receive annual audited financial statements. The investment in the OCV Fund is presented net of tax and on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

The net loss in earnings of equity method investment was $11.3 million, $0.2 million and $4.1 million, net of tax benefit for the years ended December 31, 2020, 2019, and 2018, respectively. The fiscal 2020 loss was primarily a result of the impairment of two of the OCV Fund's investments as a result of COVID-19 in the amount of $7.0 million, net of tax benefit. In addition, the Company recognized an investment loss in fiscal 2020 in the amount of $4.3 million, net of tax benefit. During the years ended December 31, 2020, 2019, and 2018 the Company recognized management fees of $3.0 million, $3.0 million and $4.5 million, net of tax benefit, respectively.

Digital Media and Cloud Services Results

Our businesses are based on the organization structure used by management for making operating and investment decisions and for assessing performance and have been aggregated into two businesses: (i) Digital Media; and (ii) Cloud Services.

We evaluate the performance of our businesses based on revenues, including both external and interbusiness net sales, and operating income. We account for interbusiness sales and transfers based primarily on standard costs with reasonable mark-ups established between the businesses. Identifiable assets by business are those assets used in the respective businesses operations. Corporate assets consist of cash and cash equivalents, deferred income taxes and certain other assets. All significant interbusiness amounts are eliminated to arrive at our consolidated financial results.

Digital Media

The following results are presented for fiscal years 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
External net sales	$ 811,589	$ 710,811	$ 609,434
Inter-business net sales	(229)	(300)	(60)
Net sales	811,360	710,511	609,374
Cost of revenues	77,473	93,053	78,919
Gross profit	733,887	617,458	530,455
Operating expenses	594,087	540,193	483,167
Operating income	$ 139,800	$ 77,265	$ 47,288

Net sales of $811.4 million in 2020 increased $100.8 million, or 14.2%, and net sales of $710.5 million in 2019 increased $101.1 million, or 16.6%, from the prior comparable period primarily due to business acquisitions subsequent to the prior comparable periods.

Gross profit of $733.9 million in 2020 increased $116.4 million and gross profit of $617.5 million in 2019 increased $87.0 million from the prior comparable periods primarily due to an increase in net sales between the periods. Gross profit as a percentage of revenues in 2020 and 2019 was higher due to lower content fees, campaign fulfillment cost, other editorial and production costs. Gross profit as a percentage of revenues in 2019 and 2018 was consistent with the previous comparable period.

Operating expenses of $594.1 million in 2020 increased $53.9 million from the prior comparable period primarily due to additional expense associated with businesses acquired in and subsequent to 2019 comprised primarily of salary and related costs including severance and an increase in marketing costs. Operating expenses of $540.2 million in 2019 increased $57.0 million from the prior comparable period primarily due to additional expense associated with businesses acquired in and subsequent to 2018 comprised primarily of salary and related costs, marketing costs and changes in fair value of contingent consideration and amortization of intangible assets.

As a result of these factors, operating income of $139.8 million in 2020 increased $62.5 million, or 80.9%, from 2019, and operating income of $77.3 million in 2019 increased $30.0 million, or 63.4%, from 2018.

Cloud Services

The following results are presented for fiscal years 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
External net sales	$ 678,461	$ 661,835	$ 597,975
Inter-business net sales	—	—	—
Net sales	678,461	661,835	597,975
Cost of revenues	154,261	144,270	122,154
Gross profit	524,200	517,565	475,821
Operating expenses	274,997	270,025	239,629
Operating income	$ 249,203	$ 247,540	$ 236,192

Net sales of $678.5 million in 2020 increased $16.6 million, or 2.5%, and net sales of $661.8 million in 2019 increased $63.9 million, or 10.7%, from the prior comparable period primarily due to business acquisitions.

Gross profit of $524.2 million in 2020 increased $6.6 million from 2019 and gross profit of $517.6 million in 2019 increased $41.7 million from 2018 primarily due to an increase in net sales from acquisitions between the periods. The gross profit as a percentage of revenues for 2020 and 2019 was consistent with the previous comparable period.

Operating expenses of $275.0 million in 2020 increased $5.0 million from 2019 and was consistent with the previous comparable period. Operating expenses of $270.0 million in 2019 increased $30.4 million from 2018 primarily due to (a) additional expense associated with businesses acquired in and subsequent to the prior comparable period; and (b) an increase in marketing costs and amortization of intangible assets.

As a result of these factors, operating earnings of $249.2 million in 2020 increased $1.7 million, or 0.7%, from 2019, and operating earnings of $247.5 million in 2019 increased $11.3 million, or 4.8%, from 2018. Our Cloud Services business consists of several services which have similar economic characteristics, including the nature of the services and their production processes, the type of customers, as well as the methods used to distribute these services.

Liquidity and Capital Resources

Cash and Cash Equivalents and Investments

At December 31, 2020, we had cash, cash equivalents, and investments of $340.8 million compared to $675.7 million at December 31, 2019. The decrease in cash, cash equivalents, and investments resulted primarily from the repayment of debt, business acquisitions, repurchase of common stock, purchases of property and equipment and investments; partially offset by the proceeds from the issuance of debt, cash provided from operations and proceeds from the sale of businesses. At December 31, 2020, cash, cash equivalents, and investments consisted of cash and cash equivalents of $242.7 million, short-term investments of $0.7 million, and long-term investments of $97.5 million. Our investments consist of equity and debt securities. For financial statement presentation, we classify our debt securities primarily as short- and long-term based upon their maturity dates. Short-term investments mature within one year of the date of the financial statements and long-term investments mature one year or more from the date of the financial statements. As of December 31, 2020 cash, cash equivalents, and investments held within domestic and foreign jurisdictions were $240.5 million and $100.3 million, respectively. As of December 31, 2019 cash, cash equivalents, and investments held within domestic and foreign jurisdictions were $604.7 million and $71.0 million, respectively.

At December 31, 2020, the Company had a net working capital deficit of approximately $259.7 million primarily due to cash outflows of $662.9 million related to business combinations and share repurchases during the second half of 2020. In addition, the 3.25% Convertible Notes in the amount of $396.8 million are recorded as a current liability as of December 31, 2020 due to the Holders right to require the Company to repurchase for cash all or part of their 3.25% Convertible Notes on June 15, 2021. However, due to the fact that the Convertible Notes are trading well above par, management has determined that the likelihood that the Holders will exercise this right is remote.

On October 7, 2020, the Company issued $750 million aggregate principal amount of 4.625% Senior Notes due 2030. A portion of the proceeds were used to fund the redemption of the outstanding aggregate principal amount of the 6.0% Senior Notes previously issued by one of our subsidiaries and to pay the redemption premium due in respect of such redemption and accrued and unpaid interest. The company expects to use the remainder of the net proceeds for general corporate purposes including acquisitions. Subsequent to the year end, the Company is pursuing to reestablish a credit facility at the J2 Global, Inc. level providing borrowings of $100.0 million expandable, subject to certain conditions, to $350.0 million.

The Company’s Board of Directors approved two quarterly cash dividends during the year ended December 31, 2019, totaling $0.900 per share of common stock. Future dividends are subject to Board approval. However, based on the significant number of current investment opportunities within the Company’s portfolio of businesses and the historic returns from prior investments, the Board of Directors suspended dividend payments for the foreseeable future after the June 4, 2019 payment.

On January 7, 2019, J2 Cloud Services, LLC entered into a Credit Agreement (the “Credit Agreement”) with certain lenders from time to time party thereto (collectively, the “Lenders”) and MUFG Union Bank, N.A., as sole lead arranger and as administrative agent for the Lenders (the “Agent”). On October 7, 2020, the Company terminated the Credit Agreement. On November 15, 2019, the Company issued $550.0 million aggregate principal amount of 1.75% Convertible Notes and received net proceeds of $537.1 million in cash, net of initial purchasers’ discounts, commissions and other debt issuance costs. A portion of the net proceeds were used pay off all amounts then outstanding under the MUFG Credit Facility, with the remainder to be used for general corporate purposes including acquisitions.

On June 10, 2014, J2 Global issued $402.5 million aggregate principal amount of 3.25% convertible senior notes due June 15, 2029 (the “3.25% Convertible Notes”). During the fourth quarter of 2020, the last reported sale price of the Company’s common stock exceeded 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the last trading day of the quarter. As a result, the 3.25% Convertible Notes are convertible at the option of the holder during the quarter beginning January 1, 2021 and ending March 31, 2021. Since the Company currently intends to settle the principal amount in cash, the net carrying amount of the 3.25% Convertible Notes is classified within current liabilities on the Consolidated Balance Sheet as of December 31, 2020.

On September 25, 2017, the Board of Directors of the Company authorized the Company's entry into a commitment to invest $200 million in an investment fund (the "Fund") over several years at a fairly ratable rate. The manager, OCV Management, LLC ("OCV"), and general partner of the Fund are entities with respect to which Richard S. Ressler, Chairman of the Board of Directors (the "Board") of the Company, is indirectly the majority equity holder. As a limited partner in the Fund, the Company will pay an annual management fee to the manager equal to 2.0% (reduced by 10% each year beginning with the sixth year) of capital commitments. In addition, subject to the terms and conditions of the Fund's limited partnership agreement, once the Company has received distributions equal to its invested capital, the Fund's general partner will be entitled to a carried interest equal to 20%. The Fund has a six year investment period, subject to certain exceptions. The commitment was approved by the Audit Committee of the Board in accordance with the Company's related-party transaction approval policy.

During 2020, the Company received capital call notices from the management of OCV Management, LLC for $32.9 million, inclusive of certain management fees, of which $31.9 million has been paid for the year ended December 31, 2020. During 2019, the Company received a distribution from OCV of $10.3 million. During 2019, the Company received capital call notices from the management of OCV Management, LLC for $29.6 million inclusive of certain management fees, of which $29.6 million has been paid for the year ended December 31, 2019.

We currently anticipate that our existing cash and cash equivalents and cash generated from operations will be sufficient to meet our anticipated needs for working capital, capital expenditure, investment requirements, stock repurchases and cash dividends for at least the next 12 months.

Cash Flows

Our primary sources of liquidity are cash flows generated from operations, together with cash and cash equivalents. Net cash provided by operating activities was $480.1 million, $412.5 million and $401.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our operating cash flows resulted primarily from cash received from our customers offset by cash payments we made to third parties for their services, employee compensation and interest payments associated with our debt. The increase in our net cash provided by operating activities in 2020 compared to 2019 was primarily attributable to a decrease in prepaid expenses and other current assets, increased income tax liabilities and uncertain tax positions. The increase in our net cash provided by operating activities in 2019 compared to 2018 was primarily attributable to an increase in accounts payable and accrued expenses due to the timing of payments; partially offset by an increase in accounts receivable, prepaid expenses and other current assets, higher tax payments, lower uncertain tax positions and reduced deferred revenue. Our prepaid tax payments were $3.0 million and $3.7 million at December 31, 2020 and 2019, respectively. Our cash and cash equivalents and short-term investments were $243.3 million, $575.6 million and $209.5 million at December 31, 2020, 2019 and 2018, respectively.

Net cash used in investing activities was $586.2 million, $505.3 million and $406.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. Net cash used in investing activities in 2020 was primarily attributable to business acquisitions, capital expenditures associated with the purchase of property and equipment and the purchase of equity method investments; partially offset by the proceeds from the sale of businesses. Net cash used in investing activities in 2019 was primarily attributable to business acquisitions, capital expenditures associated with the purchase of property and equipment and purchases of equity method investments; partially offset by the distribution from an equity method investment.

Net cash (used in) provided by financing activities was $(234.6) million, $456.7 million and $(131.4) million for the years ended December 31, 2020, 2019 and 2018, respectively. Net cash used in financing activities in 2020 was primarily attributable to the repayment of debt, repurchase of stock and business acquisitions; partially offset by net proceeds from the issuance of our 4.625% Senior Notes and exercise of stock options. Net cash provided by financing activities in 2019 was primarily attributable to net proceeds from the issuance of 1.75% Convertible Notes, proceeds from the line of credit and exercise of stock options; partially offset by payment of the line of credit, dividends paid, repurchase of stock, business acquisitions and repayment of note payable.

Stock Repurchase Program

In February 2012, the Company's Board of Directors approved a program authorizing the repurchase of up to five million shares of our common stock through February 20, 2013 which was subsequently extended through February 20, 2021.

In July 2016, the Company acquired and subsequently retired 935,231 shares of J2 Global common stock in connection with the acquisition of Integrated Global Concepts, Inc. As a result of the purchase of J2 Global common stock, the Company's Board of Directors approved a reduction in the number of shares available for purchase under the 2012 Program by the same amount.

During the year ended December 31, 2020 and 2019, we repurchased 1,140,819 and 197,870 shares under this program, respectively. As of December 31, 2020, all of the available shares were repurchased under the 2012 Program at an aggregate cost of $204.6 million (including an immaterial amount of commission fees).

On August 6, 2020, the Company's Board of Directors approved a program authorizing the repurchase of up to ten million shares of our common stock through August 6, 2025 (the "2020 Program") in addition to the five million shares repurchased under the 2012 Program. During the year ended December 31, 2020, the Company repurchased 2,490,599 shares at an aggregate cost of $177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired.

As a result of the Company's share repurchase programs, the number of shares available for purchase is 7,509,401 shares of J2 Global common stock.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2020:

	Payment Due by Period (in thousands)				
Contractual Obligations	**1 Year**	**2-3 Years**	**4-5 Years**	**More than 5 Years**	**Total**
Long-term debt - principal (a)	$ 402,414	$ 910	$ —	$ 1,300,000	$ 1,703,324
Long-term debt - interest (b)	51,719	88,625	88,625	183,063	412,032
Operating leases (c)	34,636	58,392	28,131	38,447	159,606
Finance leases (d)	608	350	—	—	958
Telecom services and co-location facilities (e)	2,836	1,683	—	—	4,519
Holdback payment (f)	7,274	3,079	—	—	10,353
Transition tax (g)	—	—	11,675	—	11,675
Self-Insurance (h)	21,557	479	—	—	22,036
Other (i)	1,535	598	—	—	2,133
Total	$ 522,579	$ 154,116	$ 128,431	$ 1,521,510	$ 2,326,636

(a) These amounts represent principal on long-term debt.
(b) These amounts represent interest on long-term debt.
(c) These amounts represent undiscounted future minimum rental commitments under noncancellable operating leases.
(d) These amounts represent undiscounted future minimum rental commitments under noncancellable finance leases.
(e) These amounts represent service commitments to various telecommunication providers.
(f) These amounts represent the holdback amounts in connection with certain business acquisitions.
(g) These amounts represent commitments related to the transition tax on unrepatriated foreign earnings reduced by the 2017 overpayment of US Federal Income Tax.
(h) These amounts represent health and dental insurance plans in connection to self-insurance.
(i) These amounts primarily represent certain consulting and Board of Director fee arrangements, software license commitments and others.

As of December 31, 2020, our liability for uncertain tax positions was $57.1 million. The future payments related to uncertain tax positions have not been presented in the table above due to the uncertainty of the amounts and timing of cash settlement with the taxing authorities.

We have not presented contingent consideration associated with acquisitions in the table above due to the uncertainty of the amounts and the timing of cash settlements. We have also not presented our remaining commitment to OCV Management, LLC of approximately $94.5 million due to the uncertainty of timing of funding requests.

Off-Balance Sheet Arrangements

We are not party to any material off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of the market risks we face contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. J2 Global undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Readers should carefully review the risk factors described in this document as well as in other documents we file from time to time with the SEC, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed or to be filed by us in 2021.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. The primary objectives of our investment activities are to preserve our principal while at the same time maximizing yields without significantly increasing risk. To achieve these objectives, we maintain our portfolio of cash equivalents and investments in a mix of instruments that meet high credit quality standards, as specified in our investment policy or otherwise approved by the Board of Directors. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2020, the carrying value of our cash and cash equivalents approximated fair value. Our return on these investments is subject to interest rate fluctuations.

As of December 31, 2020, we had investments in debt securities with effective maturities greater than one year of approximately zero. As of December 31, 2020 and December 31, 2019, we had cash and cash equivalent investments primarily in money market funds with maturities of 90 days or less of $242.7 million and $575.6 million, respectively. We do not have interest rate risk on our outstanding long-term debt as these arrangements have fixed interest rates.

We cannot ensure that future interest rate movements will not have a material adverse effect on our future business, prospects, financial condition, operating results and cash flows. To date, we have not entered into interest rate hedging transactions to control or minimize certain of these risks.

Foreign Currency Risk

We conduct business in certain foreign markets, primarily in Canada, Australia and the European Union. Our principal exposure to foreign currency risk relates to investment and inter-company debt in foreign subsidiaries that transact business in functional currencies other than the U.S. Dollar, primarily the Australian Dollar, the Canadian Dollar, the Euro, the Hong Kong Dollar, the Japanese Yen, the New Zealand Dollar, the Norwegian Kroner and the British Pound Sterling. If we are unable to settle our short-term intercompany debts in a timely manner, we remain exposed to foreign currency fluctuations.

As we expand our international presence, we become further exposed to foreign currency risk by entering new markets with additional foreign currencies. The economic impact of currency exchange rate movements is often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies.

As currency exchange rates change, translation of the income statements of the international businesses into U.S. Dollars affects year-over-year comparability of operating results, the impact of which is immaterial to the comparisons set forth in this Annual Report on Form 10-K.

Historically, we have not hedged translation risks because cash flows from international operations were generally reinvested locally; however, we may do so in the future. Our objective in managing foreign exchange risk is to minimize the potential exposure to changes that exchange rates might have on earnings, cash flows and financial position.

For the years ended December 31, 2020, 2019 and 2018, foreign exchange gains (losses) amounted to $28.5 million, $(4.0) million and $(2.3) million, respectively. The change in our gains (losses) recognized in earnings from 2019 to 2020 were primarily attributable to the settlement of certain intra-entity transactions. The increase in losses to our earnings from 2018 to 2019 were primarily attributable to increased inter-company balances between the periods in foreign subsidiaries that were in functional currencies other than the U.S. Dollar. Foreign exchange losses were not material to our earnings in 2019 and 2018, respectively.

Cumulative translation adjustments, net of tax, included in other comprehensive income for the years ended December 31, 2020, 2019 and 2018, was $(8.9) million, $(1.6) million, and $(15.5) million respectively.

We currently do not have derivative financial instruments for hedging, speculative or trading purposes and therefore are not subject to such hedging risk. However, we may in the future engage in hedging transactions to manage our exposure to fluctuations in foreign currency exchange rates.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
J2 Global, Inc.
Los Angeles, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of J2 Global, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 1, 2021, expressed an unqualified opinion thereon.

Change in Accounting Method Related to Leases

As discussed in Note 11 to the consolidated financial statements, the Company changed its method for accounting for leases as a result of the adoption of Accounting Standards Codification ("ASC") 842, *Leases* effective January 1, 2019 under the modified retrospective approach.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Acquisitions

As described in Note 4 to the consolidated financial statements, the Company completed the acquisition of RetailMeNot, Inc., an online coupon business, for the purchase consideration of approximately $414.4 million, net of cash during the year ended December 31, 2020. This acquisition included a significant amount of intangible assets and goodwill, requiring management to determine fair values of the identifiable assets and liabilities at the acquisition date.

We identified management's judgments used to determine the fair value of identifiable intangible assets related to certain acquisitions as a critical audit matter. The Company's determination of fair values of certain identifiable intangible assets is complex and included management's judgments over significant unobservable inputs and assumptions utilized including revenue growth rates, royalty rates, discount rates and customer attrition rates. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Assessing the design and testing operating effectiveness of certain controls over the development of significant assumptions used to determine the fair values of certain identifiable intangible assets, and controls over the selection of the valuation models used by management.

- Assessing the reasonableness of significant unobservable inputs and assumptions used by management through evaluating revenue growth rates and customer attrition against the historical performance of the target entity, certain acquisitions, and similar business units of the Company.

- Utilizing personnel with specialized knowledge and skill in valuation to assist in: (i) assessing the appropriateness of valuation models used, (ii) evaluating the reasonableness of certain significant assumptions incorporated into the various valuation models, including royalty rates, discount rates and customer attrition rates, and (iii) performing sensitivity analysis and evaluating the potential effect of changes in certain critical assumptions on the fair value calculations.

Accounting for Income Taxes

As described in Note 13 to the consolidated financial statements, the income tax expense for the year ended December 31, 2020 was $68.4 million and the net deferred income tax liability balance as of December 31, 2020 was $106.2 million. The Company is a U.S. based multinational entity subject to taxes in the U.S. and multiple foreign jurisdictions. The provision for income taxes is based on a jurisdictional mix of earnings, statutory tax rates and enacted tax rules.

We identified the accounting for income taxes as a critical audit matter. The Company's tax provision included the following areas of complexity: (i) the calculation methods and the global legal structure, (ii) the large volume of new and pending tax guidance, including the CARES Act provisions, as well as the pervasive impact of the Tax Cuts and Jobs Act ("TCJA") and the application of the resulting tax law given the uncertainty over the interpretation of certain provisions as proposed for which there is a significant amount of pending guidance and a limited body of precedence, and (iii) the tax impact associated with the significant acquisition of RetailMeNot, Inc. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skillsets and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain internal controls related to management's accounting for income taxes, including controls over: (i) the calculation of significant components of the income tax provision, (ii) the completeness and accuracy of identifying changes in domestic and foreign tax law and accurate interpretation and inclusion in the tax provision calculation and applicable disclosures, and (iii) the calculation of the significant acquisition's deferred tax balances and tax related acquisition accounting adjustments, including the completeness and accuracy of the tax basis in acquired assets and liabilities.

- Utilizing domestic and international personnel with specialized knowledge and skill in taxation to assist in the following procedures:
    - Evaluating the appropriateness and consistency of management’s methods and estimates used to calculate the consolidated income tax provision.
    - Evaluating management’s judgments and assumptions pertaining to complex and material components of the consolidated income tax provision by reviewing documentation of relevant accounting policies and information obtained by management from third-party tax specialists.
    - Evaluating the appropriateness of management’s application of new and updated regulatory and legislative guidance in the U.S., Canada, Ireland and the United Kingdom, as well as the reasonableness of management’s interpretation and application of new tax provisions in the U.S. and significant foreign jurisdictions for which there is pending guidance and a limited body of precedence.
    - Testing mathematical accuracy and computation of the consolidated income tax provision by recalculating significant components of the consolidated tax provision and reviewing relevant source documents supporting deferred tax assets and liabilities. Agreeing material components of the consolidated income tax provision to the trial balances, relevant source documents, and applicable enacted U.S. and non-U.S. jurisdictional tax rates.
    - Assessing the reasonableness of management’s judgments and testing the computational accuracy of the income tax balances related to acquired assets and liabilities in the significant acquisition by recalculating and agreeing significant components of the tax computations to the opening balance sheet and to relevant source documents, including the valuation used for the purchase price allocation and the applicable tax rates.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2014.

Los Angeles, California
March 1, 2021

J2 GLOBAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(In thousands, except share amounts)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 242,652	$ 575,615
Short-term investments	663	—
Accounts receivable, net of allowances of $16,018 and $12,701, respectively	325,619	261,928
Prepaid expenses and other current assets	53,909	49,347
Total current assets	622,843	886,890
Long-term investments	97,495	100,079
Property and equipment, net	156,577	127,817
Operating lease right-of-use assets	105,845	125,822
Trade names, net	187,902	138,029
Customer relationships, net	377,194	238,502
Goodwill	1,867,430	1,633,033
Other purchased intangibles, net	176,473	180,022
Deferred income taxes, noncurrent	56,545	59,976
Other assets	17,027	15,676
TOTAL ASSETS	$ 3,665,331	$ 3,505,846
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 230,651	$ 238,059
Income taxes payable, current	31,753	17,758
Deferred revenue, current	190,644	162,855
Operating lease liabilities, current	32,211	26,927
Current portion of long-term debt	396,801	385,532
Other current liabilities	497	1,973
Total current liabilities	882,557	833,104
Long-term debt	1,182,220	1,062,929
Deferred revenue, noncurrent	14,440	12,744
Operating lease liabilities, noncurrent	99,177	104,070
Income taxes payable, noncurrent	11,675	11,675
Liability for uncertain tax positions	57,081	52,451
Deferred income taxes, noncurrent	162,700	107,453
Other long-term liabilities	44,463	10,228
TOTAL LIABILITIES	2,454,313	2,194,654
Commitments and contingencies	—	—
Preferred stock - Series A, $0.01 par value. Authorized 6,000; total issued and outstanding is zero at December 31, 2020 and 2019, respectively.	—	—
Preferred stock - Series B, $0.01 par value. Authorized 20,000; total issued and outstanding is zero at December 31, 2020 and 2019, respectively.	—	—
Common stock, $0.01 par value. Authorized 95,000,000 at December 31, 2020 and 2019; total issued and outstanding 44,346,630 and 47,654,929 shares at December 31, 2020 and 2019, respectively.	443	476
Additional paid-in capital	456,274	465,652
Retained earnings	809,107	891,526
Accumulated other comprehensive loss	(54,806)	(46,462)
TOTAL STOCKHOLDERS' EQUITY	1,211,018	1,311,192
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,665,331	$ 3,505,846

See Notes to Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2020, 2019 and 2018
(In thousands, except share and per share data)

	2020	2019	2018
Total revenues	$ 1,489,593	$ 1,372,054	$ 1,207,295
Cost of revenues [1]	231,782	237,323	201,074
Gross profit	1,257,811	1,134,731	1,006,221
Operating expenses:			
Sales and marketing [1]	413,474	379,183	338,304
Research, development and engineering [1]	64,295	54,396	48,370
General and administrative [1]	445,431	424,072	375,267
Total operating expenses	923,200	857,651	761,941
Income from operations	334,611	277,080	244,280
Interest expense, net	131,975	69,546	61,987
Gain on sale of business	(17,122)	—	—
Loss on investments, net	20,991	4,211	73
Other (income) expense , net	(31,632)	3,725	4,633
Income before income taxes and net loss in earnings of equity method investment	230,399	199,598	177,587
Income tax expense (benefit)	68,393	(19,376)	44,760
Net loss in earnings of equity method investment	11,338	168	4,140
Net income	$ 150,668	$ 218,806	$ 128,687
Net income per common share:			
Basic	$ 3.24	$ 4.52	$ 2.64
Diluted	$ 3.18	$ 4.39	$ 2.59
Weighted average shares outstanding:			
Basic	46,308,825	47,647,397	47,950,746
Diluted	47,122,511	49,025,684	48,927,791
Cash dividends paid per common share	$ —	$ 0.90	$ 1.68
[1] Includes share-based compensation expense as follows:			
Cost of revenues	$ 535	$ 525	$ 510
Sales and marketing	1,454	1,547	1,798
Research, development and engineering	1,779	1,477	1,553
General and administrative	20,238	20,373	24,232
Total	$ 24,006	$ 23,922	$ 28,093

See Notes to Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Net income	$ 150,668	$ 218,806	$ 128,687
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	(8,902)	(1,626)	(15,471)
Change in fair value on available-for-sale investments, net of tax expense (benefit) of $181, $149 and $(460) for the years ended December 31, 2020, 2019 and 2018, respectively	558	1,143	(1,418)
Other comprehensive loss, net of tax	(8,344)	(483)	(16,889)
Comprehensive income	$ 142,324	$ 218,323	$ 111,798

See Notes to Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 150,668	$ 218,806	$ 128,687
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	228,737	232,032	187,174
Amortization of financing costs and discounts	28,476	14,038	11,385
Non-cash operating lease costs	17,686	21,419	—
Share-based compensation	24,006	23,922	28,093
Provision for doubtful accounts	13,283	13,134	17,338
Deferred income taxes, net	5,840	(63,444)	25,050
Loss on extinguishment of debt	37,969	—	—
Gain on sale of businesses	(17,122)	—	—
Lease asset impairments and other charges	12,121	—	—
Changes in fair value of contingent consideration	(80)	6,318	18,944
Foreign currency remeasurement gain	(34,646)	—	—
Loss on equity method investments	11,338	139	10,506
Loss on equity and debt investments	20,826	4,164	—
Decrease (increase) in:			
Accounts receivable	(31,611)	(30,680)	4,034
Prepaid expenses and other current assets	3,046	(8,685)	2,211
Other assets	(3)	(4,083)	2,391
Increase (decrease) in:			
Accounts payable and accrued expenses	2,184	(770)	(35,220)
Income taxes payable	6,489	(1,738)	(29,042)
Deferred revenue	4,720	6,844	11,991
Operating lease liabilities	(16,439)	(20,240)	—
Liability for uncertain tax positions	9,391	(453)	7,694
Other long-term liabilities	3,200	1,816	10,089
Net cash provided by operating activities	480,079	412,539	401,325
Cash flows from investing activities:			
Distribution from equity method investment	—	10,288	—
Purchases of equity method investment	(31,937)	(29,584)	(36,635)
Purchase of equity investments	(1,246)	—	—
Purchases of available-for-sale investments	—	—	(500)
Purchases of property and equipment	(92,552)	(70,588)	(56,379)
Proceeds from sale of assets	507	—	—
Acquisition of businesses, net of cash received	(482,227)	(415,343)	(312,430)
Proceeds from sale of businesses, net of cash divested	24,353	—	—
Purchases of intangible assets	(3,118)	(46)	(669)
Net cash used in investing activities	(586,220)	(505,273)	(406,613)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	750,000	550,000	—
Payment of note payable	(400)	—	—
Debt issuance cost	(7,272)	(12,862)	—
Payment of debt	(650,000)	(5,100)	(2,204)
Debt extinguishment costs	(29,250)	—	—
Proceeds from line of credit	—	185,000	—
Repayment of line of credit	—	(185,000)	—
Repurchase of common stock	(275,654)	(20,803)	(47,102)
Issuance of common stock under employee stock purchase plan	7,382	4,512	2,084
Exercise of stock options	1,619	5,274	1,540
Dividends paid	—	(43,918)	(82,572)
Deferred payments for acquisitions	(29,180)	(18,876)	(3,558)
Other	(1,878)	(1,532)	450
Net cash (used in) provided by financing activities	(234,633)	456,695	(131,362)
Effect of exchange rate changes on cash and cash equivalents	7,811	2,180	(4,821)
Net change in cash and cash equivalents	(332,963)	366,141	(141,471)
Cash and cash equivalents at beginning of year	575,615	209,474	350,945

Cash and cash equivalents at end of year	$ 242,652	$ 575,615	$ 209,474

See Notes to Consolidated Financial Statements

J2 GLOBAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2018, 2019 and 2020
(in thousands, except share amounts)

	Common stock		Additional paid-in	Treasury stock		Retained	Accumulated other comprehensive	Total Stockholders'
	Shares	Amount	capital	Shares	Amount	earnings	income/(loss)	Equity
Balance, January 1, 2018	47,854,510	$ 479	$ 325,854	—	$ —	$ 723,062	$ (29,090)	$ 1,020,305
Cumulative effect of change in accounting principle	—	—	—	—	—	1,599	—	1,599
Net income	—	—	—	—	—	128,687	—	128,687
Other comprehensive income, net of tax benefit of $460	—	—	—	—	—	—	(16,889)	(16,889)
Dividends	—	—	—	—	—	(82,573)	—	(82,573)
Exercise of stock options	67,898	1	1,539	—	—	—	—	1,540
Issuance of shares under Employee Stock Purchase Plan	33,262	—	2,084	—	—	—	—	2,084
Vested restricted stock	169,512	2	(2)	—	—	—	—	—
Repurchase and retirement of common stock	(52,912)	(1)	(3,230)	(600,000)	(42,543)	(1,328)	—	(47,102)
Exchange of Series B preferred stock	10,530	—	—	—	—	—	—	—
Share based compensation	—	—	27,965	—	—	128	—	28,093
Balance, December 31, 2018	48,082,800	$ 481	$ 354,210	(600,000)	$ (42,543)	$ 769,575	$ (45,979)	$ 1,035,744
Net income	—	—	—	—	—	218,806	—	218,806
Other comprehensive income, net of tax expense of $149	—	—	—	—	—	—	(483)	(483)
Dividends	—	—	—	—	—	(43,918)	—	(43,918)
Exercise of stock options	189,436	2	5,272	—	—	—	—	5,274
Issuance of shares under Employee Stock Purchase Plan	66,413	1	4,511	—	—	—	—	4,512
Equity portion of 1.75% convertible debt	—	—	88,138	—	—	—	—	88,138
Vested restricted stock	185,227	1	(1)	—	—	—	—	—
Repurchase and retirement of common stock	(868,947)	(9)	(10,334)	600,000	42,543	(53,003)	—	(20,803)
Share based compensation	—	—	23,856	—	—	66	—	23,922
Balance, December 31, 2019	47,654,929	$ 476	$ 465,652	—	$ —	$ 891,526	$ (46,462)	$ 1,311,192
Net income	—	—	—	—	—	150,668	—	150,668
Other comprehensive income, net of tax expense of $181	—	—	—	—	—	—	(8,344)	(8,344)
Exercise of stock options	42,740	—	1,619	—	—	—	—	1,619
Issuance of shares under Employee Stock Purchase Plan	118,629	1	7,381	—	—	—	—	7,382
Exercise of 3.25% Convertible Note	—	—	(12)	—	—	—	—	(12)
Vested restricted stock	273,201	3	(3)	—	—	—	—	—
Repurchase and retirement of common stock	(3,742,869)	(37)	(42,530)	—	—	(233,087)	—	(275,654)
Share based compensation	—	—	24,006	—	—	—	—	24,006
Other, net	—	—	161	—	—	—	—	161
Balance, December 31, 2020	44,346,630	$ 443	$ 456,274	—	$ —	$ 809,107	$ (54,806)	$ 1,211,018

See Notes to Consolidated Financial Statements

1. The Company

J2 Global, Inc., together with its subsidiaries ("J2 Global", the "Company", "our", "us", or "we"), is a leading provider of internet information and services. The Company's Digital Media business specializes in the technology, shopping, gaming, and healthcare markets, offering content, tools and services to consumers and businesses. Through its Cloud Services business, the Company provides cloud-based subscription services to consumers and businesses including cloud fax, cybersecurity, privacy and marketing technology.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of J2 Global and its direct and indirect wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including judgments about investment classifications and the reported amounts of net revenue and expenses during the reporting period. The Company believes that its most significant estimates are those related to revenue recognition, valuation and impairment of investments, its assessment of ownership interests as variable interest entities and the related determination of consolidation, share-based compensation expense, fair value of assets acquired and liabilities assumed in connection with business combinations, long-lived and intangible asset impairment, contingent consideration, income taxes and contingencies and allowance for doubtful accounts. On an ongoing basis, management evaluates its estimates based on historical experience and on various other factors that the Company believes to be reasonable under the circumstances. Actual results could materially differ from those estimates.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus disease ("COVID-19") as a pandemic. The global impact of the COVID-19 pandemic has had a negative effect on the global economy, disrupting the financial markets and creating increasing volatility and overall uncertainty. The full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated. However, the Company has made appropriate accounting estimates based on the facts and circumstances available as of the reporting date. To the extent there are differences between these estimates and the actual results, our consolidated financial statements could be materially affected.

(c) Allowances for Doubtful Accounts

J2 Global maintains an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expenses in the Consolidated Statements of Operations. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when it identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status. It also considers customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. On an ongoing basis, management evaluates the adequacy of these reserves.

(d) Revenue Recognition

J2 Global recognizes revenue when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services (see Note 3 - Revenues).

Principal vs. Agent

The Company determines whether revenue should be reported on a gross or net basis by assessing whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as the principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. In determining whether the Company acts as the principal or an agent, the Company follows the accounting guidance under Topic 606 for principal-agent considerations and assesses: (i) if another party is involved in providing goods or services to the customer and (ii) whether the Company controls the specified goods or services prior to transferring control to the customer.

Sales Taxes

The Company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are (i) both imposed on and concurrent with a specific revenue-producing transaction and (ii) collected by the Company from a customer.

(e) Fair Value Measurements

J2 Global complies with the provisions of Financial Accounting Standards Board ("FASB") ASC Topic No. 820, Fair Value Measurements and Disclosures ("ASC 820"), in measuring fair value and in disclosing fair value measurements. ASC 820 provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial and non-financial assets and liabilities.

The carrying values of cash and cash equivalents, accounts receivable, interest receivable, accounts payable, accrued expenses, interest payable, customer deposits and long-term debt are reflected in the financial statements at cost. With the exception of certain investments and long-term debt, cost approximates fair value due to the short-term nature of such instruments. The fair value of the Company's outstanding debt was determined using the quoted market prices of debt instruments with similar terms and maturities when available. As of the same dates, the carrying value of other long-term liabilities approximated fair value as the related interest rates approximate rates currently available to J2 Global.

(f) Cash and Cash Equivalents

J2 Global considers cash equivalents to be only those investments that are highly liquid, readily convertible to cash and with maturities of three months or less at the purchase date.

(g) Investments

J2 Global accounts for its investments in debt securities in accordance with Financial Accounting Standards Board ("FASB") ASC Topic No. 320, Investments - Debt Securities ("ASC 320"). The Company's debt investments are typically comprised of corporate debt securities, which it classifies as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses included in other comprehensive income. All debt securities are accounted for on a specific identification basis.

The Company's available-for-sale debt securities are carried at an estimated fair value with any unrealized gains or losses, net of taxes, included in accumulated other comprehensive loss in stockholders' equity. Available-for-sale debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on available-for-sale debt securities are recognized in loss on investments, net on our Consolidated Statements of Operations, and any remaining unrealized losses, net of taxes, are included in accumulated comprehensive loss in stockholders' equity.

The Company accounts for its investments in equity securities in accordance with ASC Topic No. 321, Investments - Equity Securities ("ASC 321") which requires the accounting for equity investments (other than those accounted for using the equity method of accounting) generally be measured at fair value for equity securities with readily determinable fair values. For equity securities without a readily determinable fair value that are not accounted for by the equity method, the Company measures the equity security using cost, less impairment, if any, and plus or minus observable price changes arising from orderly transactions in the same or similar investment from the same issuer. Any unrealized gains or losses will be reported in current earnings (see Note 5 - Investments).

The Company assesses whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions (see Note 5 - Investments).

(h) Variable Interest Entities ("VIE")

A VIE requires consolidation by the entity's primary beneficiary. The Company evaluates its investments in entities in which it is involved to determine if the entity is a VIE and if so, whether it holds a variable interest and is the primary beneficiary. The Company has determined that it holds a variable interest in its investment as a limited partner in the OCV Fund I, LP ("OCV Fund", "OCV" or the "Fund"). In determining whether the Company is deemed to be the primary beneficiary of the VIE, both of the following characteristics must be present:

a) the Company has the power to direct the activities of the VIE that most significantly impacts the VIEs economic performance (the power criterion); and

b) the Company has the obligation to absorb losses of the VIE, or the right to receive benefits of the VIE, that could potentially be significant to the VIE (the economic criterion).

The Company has concluded that, as a limited partner, although the obligations to absorb losses or the right to benefit from the gains is not insignificant, the Company does not have "power" over OCV because it does not have the ability to direct the significant decisions which impact the economics of OCV. J2 believes that the OCV general partner, as a single decision maker, holds the ability to make the decisions about the activities that most significantly impact the OCV Fund's economic performance. As a result, the Company has concluded that it will not consolidate OCV, as it is not the primary beneficiary of the OCV Fund, and will account for this investment under the equity-method of accounting (see Note 5 - Investments).

OCV qualifies as an investment company under ASC 946 - Financial Services, Investment Companies ("ASC 946"). Under ASC Topic 323, Investments - Equity Method and Joint Ventures, an investor that holds investments that qualify for specialized industry accounting for investment companies in accordance with ASC 946 should record its share of the earnings or losses, realized or unrealized, as reported by its equity method investees in the Consolidated Statements of Operations.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

(i) Debt Issuance Costs and Debt Discount

J2 Global capitalizes costs incurred with borrowing and issuance of debt securities and records debt issuance costs and discounts as a reduction to the debt amount. These costs and discounts are amortized and included in interest expense over the life of the borrowing using the effective interest method.

(j) Derivative Instruments

J2 Global currently holds an embedded derivative instrument related to contingent interest in connection with its 3.25% Convertible Notes issued on June 10, 2014. This embedded derivative instrument is carried at fair value with changes recorded to interest expense (see Note 7 - Fair Value Measurements).

(k) Concentration of Credit Risk

All of the Company's cash, cash equivalents and marketable securities are invested at major financial institutions primarily within the United States, United Kingdom and Ireland. These institutions are required to invest the Company's cash in accordance with the Company's investment policy with the principal objectives being preservation of capital, fulfillment of liquidity needs and above market returns commensurate with preservation of capital. The Company's investment policy also requires that investments in marketable securities be in only highly rated instruments, with limitations on investing in securities of any single issuer. However, these investments are not insured against the possibility of a total or near complete loss of earnings or principal and are inherently subject to the credit risk related to the continued credit worthiness of the underlying issuer and general credit market risks. At December 31, 2020, the Company's cash and cash equivalents were maintained in accounts in qualifying financial institutions that are insured up to the limit determined by the applicable governmental agency. These institutions are primarily in the United States and United Kingdom, however, the Company has accounts within several other countries including Australia, Austria, China, Denmark, France, Germany, Italy, Japan, New Zealand, Netherlands, Norway, and Sweden.

(l) Foreign Currency

Some of J2 Global's foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities are translated at exchange rates prevailing at the balance sheet dates. Revenues, costs and expenses are translated into U.S. Dollars at average exchange rates for the period. Gains and losses resulting from translation are recorded as a component of accumulated other comprehensive income/(loss). Net translation loss was $8.9 million, $1.6 million and $15.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. Realized gains and losses from foreign currency transactions are recognized within other expense (income), net. Foreign exchange gains (losses) amounted to $28.5 million, $(4.0) million and $(2.3) million for the years ended December 31, 2020, 2019 and 2018, respectively.

(m) Property and Equipment

Property and equipment are stated at cost. Equipment under finance leases is stated at the present value of the minimum lease payments. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets and is recorded in cost of revenues and general and administrative expenses on the Consolidated Statements of Operations. The estimated useful lives of property and equipment range from 1 to 10 years. Fixtures, which are comprised primarily of leasehold improvements and equipment under finance leases, are amortized on a straight-line basis over their estimated useful lives or for leasehold improvements, the related lease term, if less. The Company has capitalized certain internal-use software and website development costs which are included in property and equipment. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from 1 to 5 years.

(n) Impairment or Disposal of Long-Lived and Intangible Assets

J2 Global accounts for long-lived assets, which include property and equipment, operating lease right-of-use assets and identifiable intangible assets with finite useful lives (subject to amortization), in accordance with the provisions of FASB ASC Topic No. 360, Property, Plant, and Equipment ("ASC 360"), which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the expected undiscounted future net cash flows generated by the asset. If it is determined that the asset may not be recoverable, and if the carrying amount of an asset exceeds its estimated fair value, an impairment charge is recognized to the extent of the difference.

The Company assesses the impairment of identifiable definite-lived intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors it consider important which could individually or in combination trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for J2 Global's overall business;
- Significant negative industry or economic trends;
- Significant decline in the Company's stock price for a sustained period; and
- The Company's market capitalization relative to net book value.

If the Company determined that the carrying value of definite-lived intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, it would record an impairment equal to the excess of the carrying amount of the asset over its estimated fair value.

J2 Global assessed whether events or changes in circumstances have occurred that potentially indicate the carrying amount of definite-lived assets may not be recoverable. In the year ended December 31, 2020, the Company recorded impairments of certain operating right-of-use assets and associated property and equipment (see Note 11 - Leases). No impairment was recorded in fiscal year 2019 or 2018.

The Company classifies its long-lived assets to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company stops recording depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

(o) Business Combinations and Valuation of Goodwill and Intangible Assets

J2 Global applies the acquisition method of accounting for business combinations in accordance with GAAP and uses of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets, including identifiable intangible assets, and liabilities acquired. Such estimates may be based on significant unobservable inputs and assumptions such as, but not limited to, revenue growth rates, gross margins, customer attrition rates, royalty rates, discount rates and terminal growth rate assumptions. J2 Global uses established valuation techniques and may engage reputable valuation specialists to assist with the valuations. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. Intangible assets subject to amortization are amortized over the period of estimated economic benefit ranging from one to 20 years and are included in general and administrative expenses on the Consolidated Statements of Operations. The Company evaluates our goodwill and indefinite-lived intangible assets for impairment pursuant to FASB ASC Topic No, 350, Intangibles - Goodwill and Other ("ASC 350"), which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested for impairment annually or more frequently if J2 Global believes indicators of impairment exist. In connection with the annual impairment test for goodwill, the Company has the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it was more likely than not that the fair value of the reporting unit is less than its carrying amount, then it performs the impairment test upon goodwill. The impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation. If the carrying value of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized for the difference. The Company performed the annual impairment test for goodwill for fiscal year 2020 using a qualitative assessment primarily taking into consideration macroeconomic, industry and market conditions, overall financial performance and any other relevant company-specific events. The qualitative assessment indicated that it was more likely than not that the fair value of the Company's reporting units was greater than their carrying value, other than the Backup reporting unit. As a result, it performed a quantitative assessment on its Backup reporting unit which resulted in no impairment. Further, due to a prolonged decrease in the Company's share price, the Company performed a market capitalization reconciliation over all reporting units, in conjunction with the backup quantitative assessment, to further support there was no impairment related to the Backup reporting unit. The Company performed the annual impairment test for intangible assets with indefinite lives for fiscal 2020 using a qualitative assessment primarily taking into consideration macroeconomic, industry and market conditions, overall financial performance and any other relevant company-specific events. J2 Global concluded that there were no impairments in 2020, 2019 and 2018. In 2020, the Company changed the annual goodwill impairment assessment date for the Digital Media business from December 31 to October 1, as it determined this date is preferable, and concluded this was not a material change in accounting principal.

In addition, the COVID-19 pandemic could have an adverse impact on the Company's consolidated financial results in 2021, and possibly longer. As of December 31, 2020, there were no indications that the carrying value of goodwill and other intangible assets may not be recoverable. However, a prolonged adverse impact of the COVID-19 pandemic on the Company's consolidated financial results may require an impairment charge related to one or more of these assets in a future period. No impairments to goodwill or other intangible assets were recorded during the years ended December 31, 2020, 2019, or 2018 as a result of COVID-19.

(p) Contingent Consideration

Certain of J2 Global's acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future income thresholds or other metrics. The contingent earn-out arrangements are based upon the Company's valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, the Company estimates the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability on the Consolidated Balance Sheets. J2 Global considers several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of the Company's other key employees. The contingent earn-out payments are not affected by employment termination.

J2 Global measures its contingent earn-out liabilities in connection with acquisitions at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (see Note 7 - Fair Value Measurements). The Company may use various valuation techniques depending on the terms and conditions of the contingent consideration including a Monte-Carlo simulation. This simulation uses a probability distribution for each significant input to produce hundreds or thousands of possible outcomes and the results are analyzed to determine probabilities of different outcomes occurring. Significant increases or decreases to these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our Consolidated Statements of Cash Flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

J2 Global reviews and re-assesses the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could be materially different from the initial estimates or prior amounts. Changes in the estimated fair value of our contingent earn-out liabilities and adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in general and administrative expenses on the Consolidated Statements of Operations.

(q) Self-Insurance Program

J2 Global provides health and dental insurance plans to certain of its employees through a self-insurance structure. The Company has secured reinsurance in the form of a two tiered stop-loss coverage that limits the exposure arising from any claims made. Self-insurance claims filed and claims incurred but not reported are accrued based on management's estimate of the discounted ultimate costs for self-insured claims incurred using actuarial assumptions followed in the insurance industry and historical experience. Although management believes it has the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities.

(r) Income Taxes

J2 Global's income is subject to taxation in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. J2 Global establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that certain positions might be challenged despite the Company's belief that its tax return positions are fully supportable. J2 Global adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

J2 Global accounts for income taxes in accordance with FASB ASC Topic No. 740, Income Taxes ("ASC 740"), which requires that deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. GAAP also requires that deferred tax assets are reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, J2 Global reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

GAAP provides guidance on the minimum threshold that an uncertain income tax benefit is required to meet before it can be recognized in the financial statements and applies to all income tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. J2 Global recognized accrued interest and penalties related to uncertain income tax positions in income tax expense on its Consolidated Statements of Operations.

In addition, on March 27, 2020, the "Coronavirus Aid, Relief and Economic Security ("CARES") Act" was enacted into law providing for changes to various tax laws that impact business. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Company did not directly seek to borrow any funds under the program. However, as a result of an acquisition that closed during the quarter ended December 31, 2020, the Company assumed outstanding PPP loans that had started the process of being forgiven prior to the closing of the acquisition. The amount of the outstanding loan did not have a significant impact to our financial statements.

We do not believe these provisions have a significant impact to our current and deferred income tax balances. The Company will benefit from the technical correction to tax depreciation related to qualified improvement property and has elected to defer income tax payments and employer side social security payments where eligible.

(s) Share-Based Compensation

J2 Global accounts for share-based awards to employees and non-employees in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation ("ASC 718"). Accordingly, J2 Global measures share-based compensation expense at the grant date, based on the fair value of the award, and recognizes the expense over the employee's requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria, including but not limited to the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate, dividend rate and award cancellation rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, J2 Global may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact the Company's results of operations in the period in which the changes are made and in periods thereafter. The Company estimates the expected term based upon the historical exercise behavior of our employees.

(t) Earnings Per Common Share ("EPS")

EPS is calculated pursuant to the two-class method as defined in ASC Topic No. 260, Earnings per Share ("ASC 260"), which specifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS pursuant to the two-class method.

Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common shareholders, excluding participating securities, by the weighted-average number of common shares outstanding. The Company's participating securities consist of its unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the impact of other potentially dilutive shares outstanding during the period. The dilutive effect of participating securities is calculated under the more dilutive of either the treasury method or the two-class method.

(u) Research, Development and Engineering

Research, development and engineering costs are expensed as incurred. Costs for software development incurred subsequent to establishing technological feasibility, in the form of a working model, are capitalized and amortized over their estimated useful lives.

(v) Segment Reporting

FASB ASC Topic No. 280, Segment Reporting ("ASC 280"), establishes standards for the way that public business enterprises report information about operating segments in their annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company's business segments are based on the organization structure used by the chief operating decision maker for making operating and investment decisions and for assessing performance. The chief operating decision maker views the Company in two businesses: Cloud Services and Digital Media. However, in accordance with the aggregation criteria within ASC Topic 280, J2 Global's operating segments have been aggregated into three reportable segments: (i) Fax and Martech (formerly Email Marketing); (ii) Voice, Backup, Security, and Consumer Privacy and Protection; and (iii) Digital Media.

(w) Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2020, 2019 and 2018 was $163.7 million, $158.2 million and $149.7 million, respectively.

(x) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. The amendments in this ASU align the implementation date for nonpublic entities' annual financial statements with the implementation date for their interim financial statements. In addition, the amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20; instead impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842: Leases. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments. The amendments in this ASU further clarify certain aspects of ASU No. 2016-13. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief. The amendments in this ASU provide transition relief for ASU No. 2016-13 by providing an option to irrevocably elect the fair value option for certain financial assets measured at an amortized cost basis. In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. This ASU clarifies the effective dates of each related standards update and staggers such dates among filers and other types of entities. Also in November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. This ASU clarifies or addresses certain aspects of Update 2016-13. Specifically, it addresses (1) expected recoveries for purchased financial assets with credit deterioration; (2) transition relief for troubled debt restructuring; (3) disclosures related to accrued interest variables; (4) financial assets secured by collateral maintenance provisions; and (5) a conforming Amendment to Subtopic 805-20. In February 2020, the FASB issued ASU No. 2020-02, Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842). This ASU codifies SEC Staff Accounting Bulletin No. 119. The Company has adopted these ASUs in the first quarter of 2020 using the modified retrospective method and has determined there is an immaterial impact on its financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU remove, add, and modify certain disclosures. The ASU removes the following disclosure requirements from Topic 820: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; (3) the valuation process for Level 3 fair value measurements; and (4) certain other requirements for nonpublic entities. The ASU adds the following disclosure requirements: (1) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, disclosure of other quantitative information may be more appropriate if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The ASU modifies disclosure requirements in Topic 820 relating to timing of liquidation of an investee's assets, the disclosure of the date when restrictions from redemption might lapse, the intention of the measurement uncertainty disclosure, and certain other requirements for nonpublic entities. The Company has adopted this ASU in the first quarter of 2020 and has determined there to be an impact on its disclosures (see Note 7 - Fair Value Measurements).

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company expects to adopt this ASU on January 1, 2021 and does not expect the adoption to have a material effect on its financial statements or disclosures.

In January 2020, the FASB issued ASU No. 2020-01, Investments - Equity Securities (Topic 321), Investment - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments in this ASU clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the accounting for certain forward contracts and purchased options under Topic 815. This ASU identifies two main areas for improvement: (1) accounting for certain equity securities upon the application or discontinuation of the equity method of accounting and (2) scope considerations for forward contracts and purchased options on certain securities. The amendment states, as it is related to the first area of improvement, that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendment also states, as it is relates to forward contracts and purchased options on certain securities, an entity should consider certain criteria to determine the accounting for those forward contracts and purchased options. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company expects to adopt this ASU on January 1, 2021 and does not expect the adoption to have a material effect on its financial statements or disclosures.

In March 2020, the FASB issued ASU No. 2020-03, Codification Improvements to Financial Instruments. The amendments in this ASU clarify or address seven areas of improvement: (1) fair value option disclosures; (2) applicability of the portfolio exception in Topic 820 to nonfinancial items; (3) disclosures for depository and lending institutions; (4) cross-reference to line-of-credit or revolving-debt arrangements guidance in Subtopic 470-50; (5) cross-reference to net asset value practical expedient in Subtopic 820-10; (6) interaction of Topic 842 and Topic 326; and (7) interaction of Topic 326 and Subtopic 860-20. This ASU is effective for certain issues upon adoption and others in 2020. The Company has adopted this ASU in the first quarter of 2020 and has determined there is no impact on its financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. LIBOR is expected to phased out by 2021. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The amendments in this ASU reduce the number of accounting models for convertible debt instruments and convertible preferred stock in order to simplify the accounting for convertible instruments and reduce complexity. In addition, it amends the guidance for scope exception surrounding derivatives for contracts in an entity's own equity. In each case, the related guidance surrounding EPS has also been amended. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The Company is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements. The amendments in this ASU improve the consistency of the codification and reorganize the guidance into appropriate sections providing less opportunities for disclosures to be missed. The amendments in this update do not change GAAP and are not expected to result in a significant change in practice. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect of this ASU on its financial statements and related disclosures.

(y) Reclassifications

Certain prior year reported amounts have been reclassified to conform with the 2020 presentation.

3. Revenues

Digital Media

Digital Media revenues are earned primarily from the delivery of advertising services, from subscriptions to services and information.

Revenue is earned from the delivery of advertising services on the Company's owned and operated websites and on those websites that are part of Digital Media's advertising network. Depending on the individual contracts with the customer, revenue for these services are recognized over the contract period when any of the following performance obligations are satisfied: (i) when an advertisement is placed for viewing; (ii) when a qualified sales lead is delivered; (iii) when a visitor "clicks through" on an advertisement; or (iv) when commissions are earned upon the sale of an advertised product.

Revenue from subscriptions is earned through the granting of access to, or delivery of, data products or services to customers. Subscriptions cover video games and related content, health information, data and other copyrighted material. Revenues under such agreements are recognized over the contract term for use of the service. Revenues are also earned from listing fees, subscriptions to online publications, and from other sources. Subscription revenues are recognized over time.

J2 Global generates Digital Media revenues through the license of certain assets to clients. Assets are licensed for clients' use in their own promotional materials or otherwise. Such assets may include logos, editorial reviews, or other copyrighted material. Revenues under such license agreements are recognized over the contract term for use of the asset. Technology assets are also licensed to clients. These assets are recognized over the term of the access period. The Digital Media business also generates revenue from other sources which includes marketing and production services. Such other revenues are generally recognized over the period in which the products or services are delivered.

J2 Global also generates Digital Media revenues from transactions involving the sale of perpetual software licenses, related software support and maintenance, hardware used in conjunction with its software, and other related services. Revenue is recognized for these software transactions with multiple performance obligations after (i) the Company has had an approved contract and is committed to perform the respective obligations and (ii) the Company can identify and quantify each obligation and its respective selling price. Once the respective performance obligations have been identified and quantified, revenue will be recognized when the obligations are met, either over time or at a point in time depending on the nature of the obligation.

Revenues from software license performance obligations are generally recognized upfront at the point in time that the software is made available to the customer to download and use. Revenues for related software support and maintenance performance obligations are related to technical support provided to customers as needed and unspecified software product upgrades, maintenance releases and patches during the term of the support period when they are available. The Company is obligated to make the support services available continuously throughout the contract period. Therefore, revenues for support contracts are generally recognized ratably over the contractual period the support services are provided. Hardware product and related software performance obligations, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a bundled performance obligation. The revenues for this bundled performance obligation are generally recognized at the point in time that the hardware and software products are delivered and ownership is transferred to the customer. Other service revenues are generally recognized over time as the services are performed.

The Company records revenue on a gross basis with respect to revenue generated (i) by the Company serving online display and video advertising across its owned and operated web properties, on third-party sites or on unaffiliated advertising networks; (ii) through the Company's lead-generation business; and (iii) through the Company's subscriptions. The Company records revenue on a net basis with respect to revenue paid to the Company by certain third-party advertising networks who serve online display and video advertising across the Company's owned-and-operated web properties and certain third-party sites.

Cloud Services

The Company's Cloud Services revenues substantially consist of monthly recurring subscription and usage-based fees, which are primarily paid in advance by credit card. The Company defers the portions of monthly, quarterly, semi-annually and annually recurring subscription and usage-based fees collected in advance of the satisfaction of performance obligations and recognizes them in the period earned.

Along with its numerous proprietary Cloud Services solutions, the Company also generates revenues by reselling various third-party solutions, primarily through its email security and online backup lines of business. These third-party solutions, along with the Company's proprietary products, allow it to offer customers a variety of solutions to better meet the customer's needs. The Company records revenue on a gross basis with respect to reseller revenue because the Company has control of the specified good or service prior to transferring control to the customer.

The Company adopted ASU 2014-09 and its related standard updates in January 2018 using a modified-retrospective approach with the cumulative effect of initially applying the standard recognized at the date of application in retained earnings. The change in accounting principle in the first quarter of 2018 resulted in an adjustment to the Company's retained earnings of $1.6 million (see Consolidated Statements of Stockholders' Equity).

Revenues from external customers classified by revenue source are as follows (in thousands). See Note 18, "Segment Information" for additional information.

	Years ended December 31,		
Digital Media	**2020**	**2019**	**2018**
Advertising	$ 616,197	$ 515,702	$ 468,325
Subscription	186,718	185,559	138,689
Other	8,445	9,250	2,360
Total Digital Media revenues	$ 811,360	$ 710,511	$ 609,374
Cloud Services			
Subscription	$ 678,013	$ 660,814	$ 597,281
Other	448	1,021	694
Total Cloud Services revenues	$ 678,461	$ 661,835	$ 597,975
Corporate	$ 1	$ 8	$ 6
Elimination of inter-business revenues	(229)	(300)	(60)
Total Revenues	$ 1,489,593	$ 1,372,054	$ 1,207,295
Timing of revenue recognition			
Point in time	$ 27,685	$ 32,983	$ 4,752
Over time	1,461,908	1,339,071	1,202,543
Total	$ 1,489,593	$ 1,372,054	$ 1,207,295

The Company has recorded $157.4 million and $122.7 million of revenue for the years ended December 31, 2020 and 2019, respectively, which was previously included in the deferred revenue balance as of the beginning of each respective year.

As of December 31, 2020 and 2019, the Company acquired $22.4 million and $28.0 million, respectively, of deferred revenue in connection with the Company's business acquisitions (see Note 4 - Business Acquisitions) which are subject to purchase accounting adjustments, as appropriate.

Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, revenues are allocated to each performance obligation based on its relative standalone selling price.

The Company satisfies its performance obligations within the Digital Media business upon delivery of services to its customers. In addition, the Company provides content to its advertising partners which the Company sells to its partners' customer base and receives a revenue share based on the terms of the agreement.

The Company satisfies its performance obligations within the Cloud Services business upon delivery of services to its customers. Payment terms vary by type and location of our customers and the services offered. The term between invoicing and when payment is due is not significant. Due to the nature of the services provided, there are no obligations for returns.

Significant Judgments

In determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgment is also required to determine the standalone selling price for each distinct performance obligation.

Performance Obligations Satisfied Over Time

The Company's Digital Media business consists primarily of performance obligations that are satisfied over time. This was determined based on a review of the contracts and the nature of the services offered, where the customer simultaneously receives and consumes the benefit of the services provided. Satisfaction of these performance obligations is evidenced in the following ways:

Advertising

- Website reporting by the Company, the customer, or a third-party contains the delivery evidence needed to satisfy the performance obligations within the advertising contract
- Successfully delivered leads are evidenced by either delivery reports from the Company's internal lead management systems or through e-mail communication and/or other evidence of delivery showing acceptance of leads by the customer
- Commission is evidenced by direct site reporting from the affiliate or via direct confirmation from the customer

Subscription

- Evidence of delivery is contained in the Company's systems or from correspondence with the customer which tracks when a customer accepts delivery of any product, digital keys or download links

The Company has concluded revenue is recognized based on delivery of services over the contract period for advertising and on a straight-line basis over the contract period for subscriptions. The Company believes that the methods described are a faithful depiction of the transfer of goods and services.

The Company's Cloud Services business consists primarily of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based and include fax, voice, backup, security, CPP, and email marketing products where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. Depending on the individual contracts with the customer, revenue for these services are recognized over the contract period when any of the following materially distinct performance obligations are satisfied:

- Faxing capabilities are provided
- Voice services are delivered
- Email Marketing services are delivered
- Consumer privacy services are provided
- Security solutions, including email and endpoint are provided
- Data backup capabilities are provided

The Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. The Company recognizes revenue on a straight-line basis throughout the subscription period and believes that the method used is a faithful depiction of the transfer of goods and services.

Performance Obligations Satisfied at a Point in Time

The Company's Digital Media business has technology subscriptions that have standalone functionality. As a result, they are considered to be functional intellectual property where the performance obligations are satisfied at a point in time. This is evidenced once a digital key is delivered to the customer. Once the key is delivered to the customer, the customer has full control of the technology and the Company has no further performance obligations. The Company has concluded that revenue is recognized once the digital key is delivered. The Company believes that this method is a faithful depiction of the transfer of goods and services.

Practical Expedients

Existence of a Significant Financing Component in a Contract

As a practical expedient, the Company has not assessed whether a contract has a significant financing component because the Company expects at contract inception that the period between payment by the customer and the transfer of promised goods or services by the Company to the customer will be one year or less. In addition, the Company has determined that the payment terms that the Company provides to its customers are structured primarily for reasons other than the provision of finance to the Company. The Company typically charges a single upfront amount for the services because other payment terms would affect the nature of the risk assumed by the Company to provide service given the costs of the customer acquisition and the highly competitive and commoditized nature of the business we operate which allows customers to easily move from one provider to another. This additional risk may make it uneconomical to provide the service.

Costs to Fulfill a Contract

The Company's revenues are primarily generated from customer contracts that are for one year or less. Costs primarily consist of incentive compensation paid based on the achievements of sales targets in a given period for related revenue streams and are recognized in the month when the revenue is earned. Incentive compensation is paid on the issuance or renewal of the customer contract. As a practical expedient, for amortization periods which are determined to be one year or less, the Company expenses any incremental costs of obtaining the contract with a customer when incurred. For those customers with amortization periods determined to be greater than one year, the Company capitalizes and amortizes the expenses over the period of benefit.

In addition, the Company partners with various affiliates in order to generate a portion of its revenue for certain lines of business. The commissions earned by the Company's affiliates are incentive based and are paid on the acquisition of new customers in a given period. For those customers with amortization periods determined to be greater than one year, the Company capitalizes and amortizes the expenses over the period of benefit.

Revenues Invoiced

The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

4. Business Acquisitions

The Company uses acquisitions as a strategy to grow its customer base by increasing its presence in new and existing markets, expand and diversify its service offerings, enhance its technology, and acquire skilled personnel.

The Company completed the following acquisitions during the year ended December 31, 2020, paying the purchase price in cash in each transaction: (a) an asset purchase of EDC Systems Inc. (operating under the name “SRFax”), acquired on February 18, 2020, a Canadian-based provider of fax solutions; (b) a share purchase of the entire issued capital of RetailMeNot, Inc. acquired on October 28, 2020, a Texas-based provider of marketing solutions; (c) a share purchase of the entire issued capital of Inspired eLearning, LLC, acquired on November 2, 2020, a Texas-based platform for cybersecurity awareness and compliance training; (d) a share purchase of the entire issued capital of The Aberdeen Group, LLC and The Big Willow, Inc., acquired on November 20, 2020, a Massachusetts-based provider in digital marketing solutions; and (e) other immaterial acquisitions of email marketing, security and digital media businesses.

The Consolidated Statement of Operations since the date of each acquisition and balance sheet as of December 31, 2020, reflect the results of operations of all 2020 acquisitions. For the year ended December 31, 2020, these acquisitions contributed $61.9 million to the Company’s revenues. Net income contributed by these acquisitions was not separately identifiable due to J2 Global’s integration activities and is impracticable to provide. Total consideration for these transactions was $497.8 million, net of cash acquired and assumed liabilities and subject to certain post-closing adjustments which may increase or decrease the final consideration paid.

The following table summarizes the allocation of the purchase consideration for all 2020 acquisitions (in thousands):

Assets and Liabilities		**Valuation**
Accounts receivable	$	46,332
Prepaid expenses and other current assets		9,105
Property and equipment		2,248
Operating lease right of use asset		10,644
Trade names		67,670
Customer relationships		222,582
Goodwill		218,745
Other intangibles		56,802
Other long-term assets		685
Deferred tax asset		992
Accounts payables and accrued expenses		(29,073)
Deferred revenue		(22,436)
Operating lease liabilities, current		(4,520)
Long-term debt		(910)
Operating lease liabilities, noncurrent		(13,104)
Income taxes payable		(3,297)
Liability for uncertain tax positions		(1,576)
Deferred tax liability		(53,870)
Other long-term liabilities		(9,269)
Total	$	497,750

During 2020, the purchase price accounting has been finalized for the following acquisitions: Highwinds Capital, Inc. and Cloak Holdings, LLC, OffsiteDataSync, Inc., BabyCenter LLC, Spiceworks, Inc., and immaterial digital media and consumer privacy and protection businesses. The initial accounting for all 2020 acquisitions is incomplete due to timing of available information and are subject to change, which may be significant. J2 Global has recorded provisional amounts which may be based upon past acquisitions with similar attributes for certain intangible assets (including trade names, software and customer relationships), preliminary acquisition date working capital and related tax items.

During the year ended December 31, 2020, the Company recorded adjustments to prior period acquisitions due to changes in the initial working capital and related purchase accounting within the Voice, Backup, Security and CPP businesses, which resulted in a net decrease in goodwill of $2.1 million. In addition, the Company recorded adjustments to prior period acquisitions due to changes in the initial working capital and related purchase accounting within the Digital Media business, which resulted in a net increase in goodwill of $9.7 million (see Note 9 - Goodwill and Intangible Assets). Such adjustments had an immaterial impact to amortization expense within the Consolidated Statements of Operations for the year ended December 31, 2020.

The fair value of the assets acquired includes accounts receivable of $46.3 million. The gross amount due under contracts is $53.2 million, of which $6.9 million is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and represents intangible assets that do not qualify for separate recognition. Goodwill recognized in connection with these acquisitions during the year ended December 31, 2020 is $218.7 million, of which $70.8 million is expected to be deductible for income tax purposes.

RetailMeNot, Inc.

On October 28, 2020, the Company acquired all the outstanding issued capital of RetailMeNot, Inc. at a purchase consideration of $414.4 million, net of cash acquired and assumed liabilities.

RetailMeNot, Inc. ("RMN") is a leading savings destination that influences purchase decisions through the power of savings and coupons. The multinational Company operates digital savings websites and mobile applications connecting consumers, both online and in-store, to retailers that advertise with RMN. The acquisition of RMN is expected to further increase retail sales and is believed to, if combined with the Company's current commerce business and leveraging its editorial strengths, can drive even greater scale and margin expansion.

The Consolidated Statement of Operations since the date of acquisition and balance sheet as of December 31, 2020, reflect the results of operations of RetailMeNot, Inc. For the year ended December 31, 2020, RetailMeNot, Inc. contributed $47.6 million to the Company's revenues. Net income contributed by RetailMeNot, Inc. was not separately identifiable due to J2 Global's integration activities and is impracticable to provide.

The following table summarizes the allocation of the purchase consideration for the RetailMeNot, Inc. acquisition (in thousands):

Assets and Liabilities		**Valuation**
Accounts receivable	$	40,525
Prepaid expenses and other current assets		7,367
Property and equipment		587
Operating lease right of use asset		10,313
Trade names		62,940
Customer relationships		198,840
Goodwill		169,581
Other intangibles		42,610
Other long-term assets		494
Deferred tax asset		605
Accounts payables and accrued expenses		(24,526)
Deferred revenue		(11,175)
Operating lease liabilities, current		(4,029)
Operating lease liabilities, noncurrent		(13,085)
Income taxes payable		(3,308)
Liability for uncertain tax positions		(1,576)
Deferred tax liability		(52,504)
Other long-term liabilities		(9,275)
Total	$	414,384

The fair value of the assets acquired includes accounts receivable of $40.5 million. The gross amount due under contracts is $47.2 million, of which $6.7 million is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and represents intangible assets that do not qualify for separate recognition. Goodwill recognized in connection with this acquisition during the year ended December 31, 2020 is $169.6 million, of which $36.6 million is expected to be deductible for income tax purposes.

Pro Forma Financial Information for RetailMeNot, Inc. Acquisition

The following unaudited pro forma supplemental information is based on estimates and assumptions that J2 Global believes are reasonable. However, this information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had J2 Global and the acquired businesses been combined companies during the periods presented. These pro forma results exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2019 and do not take into consideration the exiting of any acquired lines of business. The Company acquired a line of business, through the RetailMeNot, Inc. acquisition which was in the process of being exited prior to the acquisition. This line of business accounts for $0.1 million and $28.2 million of revenue in 2020 and 2019, respectively, which is included in the pro forma results below. In addition, during 2020, the Company sold certain Voice assets in Australia and New Zealand. This divestiture represented $8.4 million and $13.9 million of revenue during the 2020 and 2019 fiscal years, respectively. This unaudited pro forma supplemental information includes incremental intangible asset amortization, income tax expense, and interest income as a result of the acquisitions, net of the related tax effects.

The supplemental information on an unaudited pro forma financial basis presents the combined results of J2 Global and RetailMeNot, Inc. as if the acquisition had occurred on January 1, 2019 (in thousands, except per share amounts):

	Year ended	
	December 31, 2020	December 31, 2019
	(unaudited)	(unaudited)
Revenues	$ 1,639,495	$ 1,589,437
Net income	$ 140,880	$ 190,709
EPS - Basic	$ 3.03	$ 3.94
EPS - Diluted	$ 2.98	$ 3.83

Pro Forma Financial Information for All 2020 Acquisitions

The following unaudited pro forma supplemental information is based on estimates and assumptions that J2 Global believes are reasonable. However, this information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had J2 Global and the acquired businesses been combined companies during the periods presented. These pro forma results exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2019 and do not take into consideration the exiting of any acquired lines of business. The Company acquired a line of business, through the RetailMeNot, Inc. acquisition which was in the process of being exited prior to the acquisition. This line of business accounts for $0.1 million and $28.2 million of revenue in 2020 and 2019, respectively, which is included in the pro forma results below. In addition, during 2020, the Company sold certain Voice assets in Australia and New Zealand. This divestiture represented $8.4 million and $13.9 million of revenue during the 2020 and 2019 fiscal years, respectively. This unaudited pro forma supplemental information includes incremental intangible asset amortization, income tax expense, and interest income as a result of the acquisitions, net of the related tax effects.

The supplemental information on an unaudited pro forma financial basis presents the combined results of J2 Global and its 2020 acquisitions as if each acquisition had occurred on January 1, 2019 (in thousands, except per share amounts):

	Year ended	
	December 31, 2020	December 31, 2019
	(unaudited)	(unaudited)
Revenues	$ 1,671,955	$ 1,633,861
Net income	$ 140,534	$ 178,654
EPS - Basic	$ 3.02	$ 3.69
EPS - Diluted	$ 2.97	$ 3.59

2019

The Company completed the following acquisitions during the year ended December 31, 2019, paying the purchase price with a combination of cash and note payable: (a) an asset purchase of iContact, LLC, acquired on January 22, 2019, a North Carolina-based provider of email marketing solutions; (b) a share purchase of the entire issued capital of Safe Send AS, acquired on March 29, 2019, a Norwegian-based provider of email security solutions; (c) a share purchase of the entire issued capital of Highwinds Capital, Inc. and Cloak Holdings, LLC, acquired on April 2, 2019, a Texas-based provider in solutions for virtual private network ("VPN") services; (d) an asset purchase of OffsiteDataSync, Inc., acquired on July 1, 2019, a New York-based provider in backup and disaster recovery solutions; (e) an asset and a share purchase of the entire issued capital of BabyCenter LLC., acquired on August 19, 2019, a California-based provider in digital parenting and pregnancy resources; (f) a share purchase of the entire issued capital of Spiceworks, Inc., acquired on August 21, 2019, a Texas-based provider in digital media advertising solutions; and (g) other immaterial acquisitions of online data backup, consumer privacy and protection, and digital media businesses.

The Consolidated Statement of Operations since the date of each acquisition and balance sheet as of December 31, 2019, reflect the results of operations of all 2019 acquisitions. For the year ended December 31, 2019, these acquisitions contributed $126.3 million to the Company's revenues. Net income contributed by these acquisitions was not separately identifiable due to J2 Global's integration activities and is impracticable to provide. Total consideration for these transactions was $429.5 million, net of cash acquired and assumed liabilities and subject to certain post-closing adjustments which may increase or decrease the final consideration paid.

The following table summarizes the allocation of the purchase consideration for all 2019 acquisitions (in thousands):

Assets and Liabilities		**Valuation**
Accounts receivable	$	22,796
Prepaid expenses and other current assets		4,528
Property and equipment		4,625
Operating lease right of use asset		4,982
Trade names		10,773
Customer relationships		123,611
Goodwill		253,096
Trademarks		32,540
Other intangibles		48,446
Other long-term assets		660
Accounts payables and accrued expenses		(31,292)
Other current liabilities		(516)
Deferred revenue		(27,953)
Operating lease liabilities, current		(1,768)
Operating lease liabilities, noncurrent		(3,215)
Income taxes payable		(762)
Liability for uncertain tax positions		(170)
Deferred tax liability		(10,229)
Other long-term liabilities		(635)
Total	$	429,517

During the year ended December 31, 2019, the Company recorded adjustments to prior period acquisitions due to the finalization of the purchase accounting in the Fax and Martech business which resulted in a net increase in goodwill of $0.2 million. In addition, the Company recorded adjustments to the initial working capital and to the purchase accounting due to the finalization of prior period acquisitions in the Digital Media business, which resulted in a net decrease in goodwill of $0.9 million (see Note 9 - Goodwill and Intangible Assets). Such adjustments had an immaterial impact to amortization expense within the Consolidated Statement of Operations for the year ended December 31, 2019.

The fair value of the assets acquired includes accounts receivable of $22.8 million. The gross amount due under contracts is $23.7 million, of which $0.9 million is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and represents intangible assets that do not qualify for separate recognition. Goodwill recognized in connection with these acquisitions during the year ended December 31, 2019 is $253.1 million, of which $95.1 million is expected to be deductible for income tax purposes.

Pro Forma Financial Information for All 2019 Acquisitions

The following unaudited pro forma supplemental information is based on estimates and assumptions that J2 Global believes are reasonable. However, this information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had J2 Global and the acquired businesses been combined companies during the periods presented. These pro forma results exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2018. This unaudited pro forma supplemental information includes incremental intangible asset amortization, income tax expense, and interest income as a result of the acquisitions, net of the related tax effects.

The supplemental information on an unaudited pro forma financial basis presents the combined results of J2 Global and its 2019 acquisitions as if each acquisition had occurred on January 1, 2018 (in thousands, except per share amounts):

	Year ended			
	December 31, 2019		December 31, 2018	
	(unaudited)		(unaudited)	
Revenues	$	1,474,132	$	1,427,914
Net income	$	211,303	$	104,710
EPS - Basic	$	4.36	$	2.15
EPS - Diluted	$	4.24	$	2.11

2018

The Company completed the following acquisitions during the year ended December 31, 2018, paying the purchase price in cash for each transaction: (a) a share purchase of the entire issued capital of ThreatTrack Security Holdings, Inc., acquired on January 26, 2018, a Florida-based provider of cybersecurity solutions; (b) an asset purchase of Line2, Inc., acquired on June 18, 2018, a California-based provider of voice solutions; (c) a share purchase of all the membership interests of Mosaik Solutions, LLC, acquired on June 18, 2018, a Tennessee-based provider of mobile coverage data and network intelligence for mobile operators and network-dependent enterprises; (d) a share purchase of DemandShore Solutions Private Limited, acquired on July 19, 2018, an India-based provider of software and other solutions to sales and marketing professionals; (e) a share purchase of DW PRIME Holdings, Inc., acquired on August 20, 2018, a Florida-based accredited provider of continuing medical education for medical professionals; (f) a share purchase of The Communicator Corporation Limited, acquired on September 25, 2018, an United Kingdom-based provider of email marketing services; (g) a share purchase of Ekahau Inc., acquired on October 10, 2018, a Virginia-based provider of solutions for enterprise Wi-Fi network design, troubleshooting, and optimization; and (h) other immaterial acquisitions of digital health and data analysis businesses.

The Consolidated Statement of Operations since the date of each acquisition and balance sheet, as of December 31, 2018, reflect the results of operations of all 2018 acquisitions. For the year ended December 31, 2018, these acquisitions contributed $56.2 million to the Company’s revenues. Net income contributed by these acquisitions was not separately identifiable due to J2 Global’s integration activities and is impracticable to provide. Total consideration for these transactions was $324.7 million, net of cash acquired and assumed liabilities and subject to certain post-closing adjustments which may increase or decrease the final consideration paid.

The following table summarizes the allocation of the purchase consideration for all 2018 acquisitions (in thousands):

Assets and Liabilities		Valuation
Cash [1]	$	15,532
Accounts receivable		11,321
Prepaid expenses and other current assets		3,480
Property and equipment		4,755
Trade names		33,750
Customer relationships		66,516
Goodwill		194,282
Trademarks		3,285
Other intangibles		84,907
Other long-term assets		341
Deferred tax asset		821
Accounts payables and accrued expenses		(10,864)
Deferred revenue		(37,113)
Finance lease		(956)
Income tax payable		(1,458)
Deferred tax liability		(22,990)
Other long-term liabilities		(5,410)
Total	$	340,199

[1] Cash contains an immaterial amount of restricted cash associated with a pre-acquisition relationship with a vendor. The entire balance has been released during the third quarter of 2018.

During the year ended December 31, 2018, the Company recorded adjustments to prior period acquisitions primarily due to the finalization of the purchase accounting in the Voice, Backup, Security and CPP business (CPP established in 2019) which resulted in a net decrease in goodwill of $1.0 million. In addition, the Company recorded adjustments to the initial working capital related to prior period acquisitions in the Digital Media business, which resulted in a net increase in goodwill of $0.2 million. Such adjustments had an immaterial impact to amortization expense within the Consolidated Statement of Operations for the year ended December 31, 2018.

The fair value of the assets acquired includes accounts receivable of $15.5 million. The gross amount due under contracts is $11.6 million, of which $0.3 million is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and represents intangible assets that do not qualify for separate recognition. Goodwill recognized in connection with these acquisitions during the year ended December 31, 2018 is $194.3 million, of which $38.3 million is expected to be deductible for income tax purposes.

Pro Forma Financial Information for All 2018 Acquisitions

The following unaudited pro forma supplemental information is based on estimates and assumptions, that J2 Global believes are reasonable. However, this information is not necessarily indicative of the Company's consolidated results of operations in future periods or the results that actually would have been realized had J2 Global and the acquired businesses been combined companies during the periods presented. These pro forma results exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2017 and do not take into consideration the exiting of any acquired lines of business. During 2017, the Company sold Cambridge BioMarketing Group, LLC ("Cambridge"), a subsidiary within the Digital Media business; j2 Australia Hosting Pty Ltd (dba "Web24"), a subsidiary within the Cloud Services business; and Tea Leaves, a subsidiary within the Digital Media business. These divestitures represented $22.7 million of revenue within the 2017 fiscal year. This unaudited pro forma supplemental information includes incremental intangible asset amortization, income tax expense, and interest income as a result of the acquisitions, net of the related tax effects.

The supplemental information on an unaudited pro forma financial basis presents the combined results of J2 Global and its 2018 acquisitions as if each acquisition had occurred on January 1, 2017 (in thousands, except per share amounts):

	Year ended	
	December 31, 2018	December 31, 2017
	(unaudited)	(unaudited)
Revenues	$ 1,264,544	$ 1,218,530
Net income	$ 121,727	$ 123,378
EPS - Basic	$ 2.50	$ 2.56
EPS - Diluted	$ 2.45	$ 2.50

5. Investments

Investments consist of equity and debt securities.

The Company determined the equity securities that were received as part of the consideration for the sale of Tea Leaves Health, LLC ("Tea Leaves") in fiscal year 2017 are without a readily determinable fair value because these securities are privately held, not traded on any public exchanges and not an investment in a mutual fund or similar investment. As a result, Management has elected to alternatively measure this investment at cost, less impairment, adjusted for subsequent observable price changes to estimate fair value. The Company will make a "reasonable effort" to identify any observable price changes for identical or similar investments with the issuer that are known and can be reasonable known. Any changes in the carrying value of the equity securities will be reported in earnings as a (gain) loss on investment. In addition, the Company determined that the shares of redeemable preferred stock that were also received as part of the consideration for the sale Tea Leaves are corporate debt securities and are classified as available-for-sale-securities. These debt securities were subsequently exchanged in a non-cash transaction in the first quarter of 2020.

Furthermore, the COVID-19 pandemic had an adverse impact on the global financial markets. A prolonged adverse impact of the COVID-19 pandemic could result in a decline in the equity and debt securities estimated fair value and, thus, a resulting charge to earnings in a future period.

The following table summarizes the gross unrealized losses and estimated fair values for the Company's securities without a readily determinable fair value (in thousands):

	Cost	Impairment	Adjustments	Reported Amount
December 31, 2020				
Equity securities	$ 50,384	$ (19,605)	$ (479)	$ 30,300
Total	$ 50,384	$ (19,605)	$ (479)	$ 30,300
December 31, 2019				
Equity securities	$ 34,977	$ (4,164)	$ (3,678)	$ 27,135
Total	$ 34,977	$ (4,164)	$ (3,678)	$ 27,135

In the first quarter of 2020, in a non-cash transaction of $18.3 million, the Company exchanged shares of redeemable preferred stock that were previously classified as available-for-sale corporate debt securities (identified in the table below) for a new series of preferred stock, classified as equity securities without a readily determinable fair value. The Company recognized a loss on exchange of $4.4 million, which is reflected in loss on investments, net in the Consolidated Statements of Operations.

During the year ended December 31, 2020, the Company recorded a $19.6 million impairment loss related to a decline in value primarily due to the recapitalization of the investee and overall market volatility. During the year ended December 31, 2019, the Company recorded a $4.2 million impairment loss related to a decline in overall market volatility. At December 31, 2020, cumulative impairment losses on these securities were $23.8 million. The impairment losses are recorded in loss on investments, net on the Consolidated Statements of Operations.

The following table summarizes the gross unrealized gains and losses and fair values for investments classified as available-for-sale (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Corporate debt securities	$ 511	$ 152	$ —	$ 663
Total	$ 511	$ 152	$ —	$ 663
December 31, 2019				
Corporate debt securities	$ 23,256	$ 112	$ (698)	$ 22,670
Total	$ 23,256	$ 112	$ (698)	$ 22,670

At December 31, 2020, the Company's available-for-sale debt securities are carried at fair value, with the unrealized gains and losses reported as a component of other comprehensive income.

The following table summarizes J2 Global's corporate debt securities designated as available-for-sale, classified by the contractual maturity date of the security (in thousands):

	December 31, 2020	December 31, 2019
Due within 1 year	$ 663	$ —
Due within more than 1 year but less than 5 years	—	22,670
Due within more than 5 years but less than 10 years	—	—
Due 10 years or after	—	—
Total	$ 663	$ 22,670

Recognition and Measurement of Credit Loss of Debt Securities

The Company adopted ASU 2016-13, Financial Instrument-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments in the first quarter of 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. This ASU also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than a reduction in the amortized cost basis of the securities. These changes will result in the earlier recognition of credit losses, if any.

The Company's available-for-sale debt securities are carried at an estimated fair value with any unrealized gains or losses, net of taxes, included in accumulated other comprehensive loss in stockholders' equity. Available-for-sale debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on available-for-sale debt securities are recognized in loss on investments, net on our Consolidated Statements of Operations, and any remaining unrealized losses, net of taxes, are included in accumulated comprehensive loss in stockholders' equity.

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of 2019, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands). There were no investments in an unrealized loss position as of December 31, 2020.

	As of December 31, 2019					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ —	$ —	$ 22,047	$ (698)	$ 22,047	$ (698)
Total	$ —	$ —	$ 22,047	$ (698)	$ 22,047	$ (698)

As of December 31, 2020, 2019 and 2018, the Company did not recognize any other-than-temporary impairment losses on its debt securities.

On September 25, 2017, the Company entered into a commitment to invest $200 million (approximately 76.6% of equity) in the OCV Fund. The primary purpose of the Fund is to provide a limited number of select investors with the opportunity to realize long-term appreciation from public and private companies, with a particular focus on the technology and life science industries. The general activities of the OCV Fund is to buy, sell, hold and otherwise invest in securities of every kind and nature and rights and options with respect thereto, including, without limitation, stock, notes, bonds, debentures and evidence of indebtedness; to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to securities held or owned by the OCV Fund; to enter into, make and perform all contracts and other undertakings; and to engage in all activities and transactions as may be necessary, advisable or desirable to carry out the foregoing.

The manager, OCV Management, LLC, and general partner of the Fund are entities with respect to which Richard S. Ressler, Chairman of the Board of Directors (the "Board") of the Company, is indirectly the majority equity holder and a related party. As a limited partner in the Fund, the Company will pay an annual management fee to the manager equal to 2.0% (reduced by 10% each year beginning with the sixth year) of capital commitments. In addition, subject to the terms and conditions of the Fund's limited partnership agreement, once the Company has received distributions equal to its invested capital, the Fund's general partner would be entitled to a carried interest equal to 20%. The Fund has a six year investment period, subject to certain exceptions. The commitment was approved by the Audit Committee of the Board in accordance with the Company's related-party transaction approval policy.

During 2020, the Company received capital call notices from the management of OCV Management, LLC for $32.9 million inclusive of certain management fees, of which $31.9 million has been paid for the year ended December 31, 2020. During 2019, the Company received capital call notices from the management of OCV Management, LLC for $29.6 million inclusive of certain management fees, of which $29.6 million has been paid for the year ended December 31, 2019. During 2019, the Company received a distribution from OCV of $10.3 million.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag due to the timing and availability of financial information from OCV. If the Company becomes aware of a significant decline in value that is other-than-temporary, the loss will be recorded in the period in which the Company identifies the decline.

During the years ended December 31, 2020, 2019, and 2018, the Company recognized a net loss in earnings of its equity method investment of $11.3 million, $0.2 million, and $4.1 million, net of tax benefit, respectively. The fiscal 2020 loss was primarily a result of the impairment of two of its investments as a result of COVID-19 in the amount of $7.0 million net of tax benefit. In addition, the Company recognized an investment loss in fiscal 2020 in the amount of $4.3 million, net of tax benefit. During the years ended December 31, 2020, 2019, and 2018 the Company recognized management fees of $3.0 million, $3.0 million, and $4.5 million, net of tax benefit, respectively.

The following table discloses the carrying amount for the Company's equity method investment (in thousands):

	December 31, 2020	December 31, 2019
Equity securities	$ 67,195	$ 50,274
Maximum exposure to loss	$ 67,195	$ 50,274

As a limited partner, the Company's maximum exposure to loss is limited to its proportional ownership in the partnership. In addition, the Company is not required to contribute capital in an aggregate amount in excess of its capital commitment and any expected losses will not be in excess of the Capital Account. Finally, there are no call or put options, or other types of arrangements, which limit the Company's ability to participate in losses and returns of the Fund.

6. Sale of Assets

During the second quarter of 2020, the Company committed to a plan to sell certain Voice assets in Australia and New Zealand as they were determined to be non-core assets. Such assets were recorded within the Voice, Backup, Security, and CPP reportable segment. On August 31, 2020, in a cash transaction, the Company sold these Voice assets for a gain of $17.1 million which was recorded in gain on sale of businesses on the Consolidated Statement of Operations.

7. Fair Value Measurements

J2 Global complies with the provisions of ASC 820, which defines fair value, provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial and non-financial assets and liabilities. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

§ Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

§ Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

§ Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company's money market funds are classified within Level 1. The Company values these Level 1 investments using quoted market prices. The fair value of long-term debt is determined using recent quoted market prices or dealer quotes for each of the Company's instruments, which are Level 1 inputs.

Certain of the Company's debt securities are classified within Level 2. The Company values these Level 2 investments based on model-driven valuations using significant inputs derived from or corroborated by observable market data.

The fair value of our senior notes was determined using quoted market prices or dealer quotes for instruments with similar maturities and other terms and credit ratings in 2019, which are Level 2 inputs. The fair value of the MUFG Credit Facility approximated its carrying amount due to its variable interest rate, which approximated a market interest rate, and was considered a Level 2 input. The fair value of the Company's debt instruments was $2.0 billion and $1.8 billion, at December 31, 2020 and December 31, 2019, respectively (see Note 10 - Long-Term Debt).

In addition, the 3.25% Convertible Notes contain terms that may require the Company to pay contingent interest on the 3.25% Convertible Notes which is accounted for as a derivative with fair value adjustments being recorded to interest expense (see Note 10 - Long Term Debt). The fair value of this derivative is determined using a binomial lattice convertible bond pricing model using historical and implied market information, which are Level 2 inputs.

In 2019, the Company entered into a $5.5 million note payable that was short-term in nature and associated with the quarter's acquisition activity. In the same year, the Company paid down $5.1 million of the outstanding note and in the third quarter of 2020, the balance of the note payable was paid in full.

The Company classifies its contingent consideration liability in connection with acquisitions within Level 3 because factors used to develop the estimated fair value are unobservable inputs, such as volatility and market risks, and are not supported by market activity. For similar reasons, certain of the Company's available-for-sale debt securities were classified within Level 3. The valuation approaches used to value Level 3 investments considers unobservable inputs in the market such as time to liquidity, volatility, dividend yield and breakpoints. Significant increases or decreases in either of the inputs in isolation would result in a significantly lower or higher fair value measurement.

The following table presents the fair values, valuation techniques, unobservable inputs, and ranges of the Company's financial liabilities categorized within Level 3. The weighted averages below are a product of the unobservable input and fair value of the contingent consideration arrangement as of December 31, 2020.

	Valuation Technique	Unobservable Input	Range	Weighted Average
Contingent Consideration	Option-Based Model	Risk free rate	1.9%	1.9 %
		Debt spread	0.0% - 33.5%	11.0 %
		Probabilities	5.0% - 100.0%	62.3 %
		Present value factor	3.6% - 3.9%	3.7 %
		Discount rate	28.6%	28.6 %

The following tables present the fair values of the Company's financial assets or liabilities that are measured at fair value on a recurring basis (in thousands):

December 31, 2020	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Assets:					
Cash equivalents:					
Money market and other funds	$ 10,413	$ —	$ —	$ 10,413	$ 10,413
Corporate debt securities	—	663	—	663	663
Total assets measured at fair value	$ 10,413	$ 663	$ —	$ 11,076	$ 11,076
Liabilities:					
Contingent consideration	$ —	$ —	$ 9,094	$ 9,094	$ 9,094
Long-term debt	1,960,527	—	—	1,960,527	1,579,021
Total liabilities measured at fair value	$ 1,960,527	$ —	$ 9,094	$ 1,969,621	$ 1,588,115

December 31, 2019	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Assets:					
Cash equivalents:					
Money market and other funds	$ 395,664	$ —	$ —	$ 395,664	$ 395,664
Corporate debt securities	—	623	22,047	22,670	22,670
Total assets measured at fair value	$ 395,664	$ 623	$ 22,047	$ 418,334	$ 418,334
Liabilities:					
Contingent consideration	$ —	$ —	$ 37,887	$ 37,887	$ 37,887
Long-term debt	—	1,833,062	—	1,833,062	1,448,461
Total liabilities measured at fair value	$ —	$ 1,833,062	$ 37,887	$ 1,870,949	$ 1,486,348

At the end of each reporting period, management reviews the inputs to the fair value measurements of financial and non-financial assets and liabilities to determine when transfers between levels are deemed to have occurred. For the year ended December 31, 2020, the Company transferred the fair value of its long-term debt from Level 2 to Level 1. For the year ended December 31, 2019, there were no transfers that occurred between levels.

The following table presents a reconciliation of the Company's derivative instruments (in thousands):

		Amount	Affected line item in the Statement of Income
Derivative Liabilities:			
Level 2:			
Balance as of January 1, 2019	$	768	
Total fair value adjustments reported in earnings		(768)	Interest expense, net
Balance as of December 31, 2019	$	—	

The following tables presents a reconciliation of the Company's Level 3 financial liabilities related to contingent consideration that are measured at fair value on a recurring basis (in thousands):

		Level 3	Affected line item in the Statement of Income
Balance as of January 1, 2019	$	50,035	
Contingent consideration		5,079	
Total fair value adjustments reported in earnings		6,318	General and administrative
Contingent consideration payments		(23,545)	Not Applicable
Balance as of December 31, 2019	$	37,887	
Contingent consideration		8,932	
Total fair value adjustments reported in earnings		(80)	General and administrative
Contingent consideration payments		(37,645)	Not Applicable
Balance as of December 31, 2020	$	9,094	

In connection with the acquisition of Humble Bundle, on October 13, 2017, contingent consideration of up to an aggregate of $40.0 million may be payable upon achieving certain future EBITDA thresholds and had a fair value of zero and $20.0 million at December 31, 2020 and December 31, 2019, respectively. Due to the Company's achievement of certain EBITDA targets for the year ended December 31, 2019 and 2018 and the amended contingent consideration agreement, $20.0 million and $20.0 million was paid during the year ended December 31, 2020 and 2019, respectively.

In connection with the acquisition of Ekahau Inc., on October 10, 2018, contingent consideration of up to an aggregate of $15.0 million may be payable upon achieving certain future revenue thresholds and had a fair value of zero and $9.1 million at December 31, 2020 and December 31, 2019, respectively. Due to the achievement of certain thresholds, $9.1 million was paid during the year ended December 31, 2020.

In connection with the Company's other acquisition activity, contingent consideration of up to $23.3 million may be payable upon achieving certain future EBITDA, revenue, and/or unique visitor thresholds and had a combined fair value of $9.1 million and $8.8 million at December 31, 2020 and December 31, 2019, respectively. Due to the achievement of certain thresholds, $8.6 million was paid during the year ended December 31, 2020.

During the year ended December 31, 2020, the Company recorded a net decrease in the fair value of the contingent consideration of $0.1 million and reported such decrease in general and administrative expenses.

The following tables presents a reconciliation of the Company's Level 3 financial assets related to certain available-for-sale debt securities that are measured at fair value on a recurring basis (in thousands):

		Level 3
Balance as of January 1, 2019	$	20,846
Total fair value adjustments reported in other comprehensive income		1,201
Balance as of December 31, 2019	$	22,047
Exchange of available-for-sale corporate debt securities (Note 5)		(22,047)
Balance as of December 31, 2020	$	—

8. Property and Equipment

Property and equipment, stated at cost, at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Computers and related equipment	$ 350,735	$ 334,768
Furniture and equipment	2,721	1,977
Leasehold improvements	9,010	17,374
	362,466	354,119
Less: Accumulated depreciation and amortization	(205,889)	(226,302)
Total property and equipment, net	$ 156,577	$ 127,817

Depreciation and amortization expense was $63.8 million, $51.4 million and $41.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Total disposals of long-lived assets for the years ended December 31, 2020, 2019 and 2018 were $0.9 million, $0.3 million and $0.4 million, respectively.

9. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination and is assigned to the reporting unit that is expected to benefit from the synergies of the combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. The fair values of these identified intangible assets are based upon expected future cash flows or income, which take into consideration certain assumptions such as customer turnover, trade names and patent lives. These determinations are primarily based upon the Company's historical experience and expected benefit of each intangible asset. If it is determined that such assumptions are not accurate, then the resulting change will impact the fair value of the intangible asset. Identifiable intangible assets are amortized over the period of estimated economic benefit, which ranges from one to 20 years.

The changes in carrying amounts of goodwill for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	Fax and Martech	Voice, Backup, Security and CPP	Total Cloud Services	Digital Media	Consolidated
Balance as of January 1, 2019	$ 366,270	$ 300,718	$ 666,988	$ 713,388	$ 1,380,376
Goodwill acquired (Note 4)	31,672	179,293	210,965	42,131	253,096
Purchase Accounting Adjustments [1]	177	—	177	(858)	(681)
Foreign exchange translation	(331)	73	(258)	500	242
Balance as of December 31, 2019	$ 397,788	$ 480,084	$ 877,872	$ 755,161	$ 1,633,033
Goodwill acquired (Note 4)	21,738	19,056	40,794	177,951	218,745
Goodwill written off related to sale of a business [2]	—	(4,751)	(4,751)	—	(4,751)
Purchase accounting adjustments [1]	—	(2,130)	(2,130)	9,721	7,591
Foreign exchange translation	5,945	6,766	12,711	101	12,812
Balance as of December 31, 2020	$ 425,471	$ 499,025	$ 924,496	$ 942,934	$ 1,867,430

[1] Purchase accounting adjustments relate to adjustments to goodwill in connection with prior year business acquisitions (see Note 4 - Business Acquisitions).

[2] On August 31, 2020, in a cash transaction, the Company sold certain of its Voice assets in Australia and New Zealand which resulted in $4.8 million of goodwill being written off (see Note 6 - Sale of Assets).

Intangible assets are summarized as of December 31, 2020 and 2019 as follows (in thousands):

Intangible Assets with Indefinite Lives:

	2020	2019
Trade names	$ 27,460	$ 27,379
Other	4,329	4,306
Total	$ 31,789	$ 31,685

Intangible Assets Subject to Amortization:
As of December 31, 2020, intangible assets subject to amortization relate primarily to the following (in thousands):

	Weighted-Average Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	10.0 years	$ 260,715	$ 100,273	$ 160,442
Patent and patent licenses	5.5 years	67,980	66,964	1,016
Customer relationships (1)	8.0 years	848,875	471,681	377,194
Other purchased intangibles	4.3 years	436,352	265,224	171,128
Total		$ 1,613,922	$ 904,142	$ 709,780

(1) Historically, the Company has amortized its customer relationship assets in a pattern that best reflects the pace in which the assets' benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first four to five years, despite the overall life of the asset.

During the year ended December 31, 2020, the Company acquired RetailMeNot, Inc. (see Note 4 - Business Acquisitions). The identified intangible assets were recognized as part of the acquisition and their respective estimated weighted average amortizations were as follows (in thousands):

	Weighted-Average Amortization Period	Fair Value
Trade names	10.0 years	$ 62,940
Customer relationships	7.0 years	198,840
Other purchased intangibles	3.0 years	42,610
Total		$ 304,390

During the year ended December 31, 2020, the Company completed acquisitions which were individually immaterial. The identified intangible assets were recognized as part of all 2020 acquisitions and their respective estimated weighted average amortizations were as follows (in thousands):

	Weighted-Average Amortization Period	Fair Value
Trade names	9.7 years	$ 67,670
Customer relationships	6.9 years	222,582
Other purchased intangibles	3.3 years	56,802
Total		$ 347,054

As of December 31, 2019, intangible assets subject to amortization relate primarily to the following (in thousands):

	Weighted-Average Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	10.2 years	$ 193,202	$ 82,552	$ 110,650
Patent and patent licenses	6.5 years	67,921	63,143	4,778
Customer relationships [(1)]	8.5 years	630,730	392,228	238,502
Other purchased intangibles	4.3 years	383,195	212,257	170,938
Total		$ 1,275,048	$ 750,180	$ 524,868

[(1)] Historically, the Company has amortized its customer relationship assets in a pattern that best reflects the pace in which the assets' benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first four to five years, despite the overall life of the asset.

Expected amortization expenses for intangible assets subject to amortization at December 31, 2020 are as follows (in thousands):

Fiscal Year:	
2021	$ 181,679
2022	134,289
2023	108,410
2024	77,965
2025	55,118
Thereafter	152,319
Total expected amortization expense	$ 709,780

Amortization expense was $164.9 million, $180.6 million and $145.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

10. Long-Term Debt

Long-term debt as of December 31, 2020 and 2019 consists of the following (in thousands):

	2020	2019
6.0% Senior Notes	$ —	$ 650,000
4.625% Senior Notes	750,000	—
Convertible Notes:		
3.25% Convertible Notes	402,414	402,500
1.75% Convertible Notes	550,000	550,000
Total Notes	1,702,414	1,602,500
Paycheck Protection Program Loan	910	—
Less: Unamortized discount	(112,798)	(139,981)
Deferred issuance costs	(11,505)	(14,058)
Total long-term debt	$ 1,579,021	$ 1,448,461
Less: Current portion	(396,801)	(385,532)
Total long-term debt, less current portion	$ 1,182,220	$ 1,062,929

At December 31, 2020, future principal payments for debt were as follows (in thousands):

Years Ended December 31,	
2021	$ 402,414
2022	910
2023	—
2024	—
2025	—
Thereafter	1,300,000
	$ 1,703,324

Interest expense was $133.8 million, $70.2 million and $63.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

6.0% Senior Notes

On June 27, 2017, J2 Cloud Services, LLC ("J2 Cloud") and J2 Cloud Co-Obligor, Inc. (the "Co-Issuer" and together with J2 Cloud, the "Issuers"), wholly-owned subsidiaries of the Company, completed the issuance and sale of $650 million aggregate principal amount of their 6.0% senior notes due in 2025 (the "6.0% Senior Notes") in a private placement offering exempt from the registration requirements of the Securities Act of 1933. J2 Cloud received proceeds of $636.5 million, after deducting the initial purchasers' discounts, commissions and offering expenses. The 6.0% Senior Notes were presented as long-term debt, net of deferred issuance costs, on the Consolidated Balance Sheet as of December 31, 2019. The 6.0% Senior Notes bore interest at a rate of 6.0% per annum, payable semi-annually in arrears on January 15 and July 15 of each year.

On October 7, 2020, the Company redeemed all of its outstanding $650 million 6.0% Senior Notes due in 2025 for $694.6 million, including an early redemption premium of $29.2 million and accrued and unpaid interest of $15.4 million. The Company recorded a loss on extinguishment of $38.0 million which is recorded in interest expense, net in the Consolidated Statements of Operations.

As of December 31, 2019, the estimated fair value of the 6.0% Senior Notes was approximately $689.8 million, and was based on quoted market prices or dealer quotes for the 6.0% Senior Notes which are Level 1 inputs (see Note 7 - Fair Value Measurements).

The following table provides additional information related to our 6% Senior Notes (in thousands):

		2019
Principal amount of 6% Senior Notes	$	650,000
Less: Unamortized discount		(8,425)
Less: Debt issuance costs		(1,466)
Net carrying amount of 6% Senior Notes	$	640,109

4.625% Senior Notes

On October 7, 2020, J2 Global, Inc. completed the issuance and sale of $750 million aggregate principal amount of its 4.625% senior notes due 2030 (the “4.625% Senior Notes”) in a private placement offering exempt from the registration requirements of the Securities Act of 1933. The Company received proceeds of $742.7 million after deducting the initial purchasers’ discounts, commissions and offering expenses. The 4.625% Senior Notes are presented as long-term debt, net of deferred issuance costs, on the Consolidated Balance Sheets as of December 31, 2020. The net proceeds were used to redeem all of its outstanding 6.0% Senior Notes due in 2025 and, to the extent any proceeds remain thereafter, for general corporate purposes which may include acquisitions and the repurchase or redemption of other outstanding indebtedness.

The 4.625% Senior Notes bear interest at a rate of 4.625% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2021. The 4.625% Senior Notes mature on October 15, 2030, and are senior unsecured obligations of the Company which are guaranteed, jointly and severally, on an unsecured basis by certain of the Company’s existing and future domestic direct and indirect wholly-owned subsidiaries (collectively, the “Guarantors”). If J2 Global, Inc. or any of its restricted subsidiaries acquires or creates a domestic restricted subsidiary, other than an Insignificant Subsidiary (as defined in the indenture pursuant to which the 4.625% Senior Notes were issued (the “Indenture”)), after the issue date, or any Insignificant Subsidiary ceases to fit within the definition of Insignificant Subsidiary, such restricted subsidiary is required to unconditionally guarantee, jointly and severally, on an unsecured basis, the Company’s obligations under the 4.625% Senior Notes.

The Company may redeem some or all of the 4.625% Senior Notes at any time on or after October 15, 2025 at specified redemption prices plus accrued and unpaid interest, if any, to, but excluding the redemption date. Before October 15, 2023, and following certain equity offerings, the Company also may redeem up to 40% of the 4.625% Senior Notes at a price equal to 104.625% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding the redemption date. The Company may make such redemption only if, after such redemption, at least 50% of the aggregate principal amount of the 4.625% Senior Notes remains outstanding. In addition, at any time prior to October 15, 2025, the Company may redeem some or all of the 4.625% Senior Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus an applicable “make-whole” premium.

The Indenture contains covenants that restrict the Company’s ability to (i) pay dividends or make distributions on the Company’s common stock or repurchase the Company’s capital stock; (ii) make certain restricted payments; (iii) create liens or enter into sale and leaseback transactions; (iv) enter into transactions with affiliates; (v) merge or consolidate with another company; and (vi) transfer and sell assets. These covenants contain certain exceptions. Restricted payments are applicable only if J2 Global, Inc. and subsidiaries designated as restricted subsidiaries has a net leverage ratio of greater than 3.5 to 1.0. In addition, if such net leverage ratio is in excess of 3.5 to 1.0, the restriction on restricted payments is subject to various exceptions, including the total aggregate amount not to exceed the greater of (A) $250 million and (B) 50.0% of EBITDA for the most recently ended four fiscal quarter period ended immediately prior to such date for which internal financial statements are available. The Company is in compliance with its debt covenants as of December 31, 2020.

As of December 31, 2020, the estimated fair value of the 4.625% Senior Notes was approximately $796.9 million, and was based on recent quoted market prices or dealer quotes for the 4.625% Senior Notes which are Level 1 inputs (see Note 7 - Fair Value Measurements).

The following table provides additional information on our 4.625% Senior Notes (in thousands):

		2020
Principal amount of 4.625% Senior Notes	$	750,000
Less: Unamortized discount		(5,523)
Less: Debt issuance costs		(1,761)
Net carrying amount of 4.625% Senior Notes	$	742,716

3.25% Convertible Notes

On June 10, 2014, J2 Global issued $402.5 million aggregate principal amount of 3.25% convertible senior notes due June 15, 2029 (the “3.25% Convertible Notes”). The 3.25% Convertible Notes bear interest at a rate of 3.25% per annum, payable semiannually in arrears on June 15 and December 15 of each year. Beginning with the six-month interest period commencing on June 15, 2021, the Company must pay contingent interest on the 3.25% Convertible Notes during any six-month interest period if the trading price per $1,000 principal amount of the 3.25% Convertible Notes for each of the five trading days immediately preceding the first day of such interest period equals or exceeds $1,300. Any contingent interest payable on the 3.25% Convertible Notes will be in addition to the regular interest payable on the 3.25% Convertible Notes.

Holders may surrender their 3.25% Convertible Notes for conversion at any time prior to the close of business on the business day immediately preceding the maturity date only if one or more of the following conditions is satisfied: (i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the closing sale price of J2 Global common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs is more than 130% of the applicable conversion price of the 3.25% Convertible Notes on each such trading day; (ii) during the five consecutive business day period following any ten consecutive trading day period in which the trading price for the 3.25% Convertible Notes for each such trading day was less than 98% of the product of (a) the closing sale price of J2 Global common stock on each such trading day and (b) the applicable conversion rate on each such trading day; (iii) if J2 Global calls any or all of the 3.25% Convertible Notes for redemption, at any time prior to the close of business on the business day prior to the redemption date; (iv) upon the occurrence of specified corporate events; or (v) during either the period beginning on, and including, March 15, 2021 and ending on, but excluding, June 20, 2021 or the period beginning on, and including, March 15, 2029 and ending on, but excluding, the maturity date. J2 Global will settle conversions of 3.25% Convertible Notes by paying or delivering, as the case may be, cash, shares of J2 Global common stock or a combination thereof at J2 Global’s election. The Company currently intends to satisfy its conversion obligation by paying and delivering a combination of cash and shares of the Company’s common stock, where cash will be used to settle each $1,000 of principal and the remainder, if any, will be settled via shares of the Company’s common stock.

During the fourth quarter of 2019, the last reported sale price of the Company’s common stock exceeded 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the last trading day of the quarter. As a result, the 3.25% Convertible Notes were convertible at the option of the holder during the quarter beginning January 1, 2020 and ending March 31, 2020.

During the fourth quarter of 2020, the last reported sale price of the Company’s common stock exceeded 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the last trading day of the quarter. As a result, the 3.25% Convertible Notes are convertible at the option of the holder during the quarter beginning January 1, 2021 and ending March 31, 2021. Since the Company currently intends to settle the principal amount in cash, the net carrying amount of the 3.25% Convertible Notes is classified within current liabilities on the Consolidated Balance Sheet as of December 31, 2020 and December 31, 2019.

As of December 31, 2020, the conversion rate is 14.7632 shares of J2 Global common stock for each $1,000 principal amount of Convertible Notes, which represents a conversion price of approximately $67.74 per share of J2 Global common stock. The conversion rate is subject to adjustment for certain events as set forth in the indenture governing the 3.25% Convertible Notes, but will not be adjusted for accrued interest. In addition, following certain corporate events that occur on or prior to June 20, 2021, J2 Global will increase the conversion rate for a holder that elects to convert its Convertible Notes in connection with such a corporate event.

J2 Global may not redeem the 3.25% Convertible Notes prior to June 20, 2021. On or after June 20, 2021, J2 Global may redeem for cash all or part of the 3.25% Convertible Notes at a redemption price equal to 100% of the principal amount of the 3.25% Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 3.25% Convertible Notes.

Holders have the right to require J2 Global to repurchase for cash all or part of their 3.25% Convertible Notes on each of June 15, 2021 and June 15, 2024 at a repurchase price equal to 100% of the principal amount of the 3.25% Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the relevant repurchase date. In addition, if a fundamental change, as defined in the indenture governing the 3.25% Convertible Notes, occurs prior to the maturity date, holders may require J2 Global to repurchase for cash all or part of their 3.25% Convertible Notes at a repurchase price equal to 100% of the principal amount of the 3.25% Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. As a result of the Holders' repurchase option on June 15, 2021, the net carrying value of the 3.25% Convertible Notes is classified within current liabilities on the Consolidated Balance Sheet as of December 31, 2020.

The 3.25% Convertible Notes are the Company's general senior unsecured obligations and rank: (i) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 3.25% Convertible Notes; (ii) equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; (iii) effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries.

Accounting for the 3.25% Convertible Notes

In accordance with ASC 470-20, *Debt with Conversion and Other Options,* convertible debt that can be settled for cash is required to be separated into the liability and equity component at issuance, with each component assigned a value. The value assigned to the liability component is the estimated fair value, as of the issuance date, of similar debt without the conversion feature. The difference between the cash proceeds and estimated fair value of the liability component, representing the value of the conversion premium assigned to the equity component, is recorded as a debt discount on the issuance date. This debt discount is amortized to interest expense using the effective interest method over the period from the issuance date through the first stated repurchase date on June 15, 2021.

J2 Global estimated the borrowing rates of similar debt without the conversion feature at origination to be 5.79% for the 3.25% Convertible Notes and determined the debt discount to be $59.0 million. As a result, a conversion premium after tax of $37.7 million was recorded in additional paid-in capital. The aggregate debt discount is amortized as interest expense over the period from the issuance date through the first stated repurchase date on June 15, 2021 which management believes is the expected life of the 3.25% Convertible Notes using an interest rate of 5.81%. As of December 31, 2020, the remaining period over which the unamortized debt discount will be amortized is 0.5 years.

The 3.25% Convertible Notes are carried at face value less any unamortized debt discount and debt issuance costs. The fair value of the 3.25% Convertible Notes at each balance sheet date is determined based on recent quoted market prices or dealer quotes for the 3.25% Convertible Notes, which are Level 1 inputs (see Note 7 - Fair Value Measurements). If such information is not available, the fair value is determined using cash-flow models of the scheduled payments discounted at market interest rates for comparable debt without the conversion feature. As of December 31, 2020 and 2019, the estimated fair value of the 3.25% Convertible Notes was approximately $593.1 million and $583.6 million, respectively.

As of December 31, 2020 and 2019, the if-converted value of our 3.25% Convertible Notes exceeded the principal amount by $173.3 million and $154.3 million, respectively.

The following table provides additional information related to our 3.25% Convertible Notes (in thousands):

	2020	2019
Additional paid-in capital	$ 37,688	$ 37,700
Principal amount of 3.25% Convertible Notes	$ 402,414	$ 402,500
Less: Unamortized discount of the liability component	(4,644)	(14,363)
Less: Carrying amount of debt issuance costs	(855)	(2,605)
Net carrying amount of 3.25% Convertible Notes	$ 396,915	$ 385,532

The following table provides the components of interest expense related to our 3.25% Convertible Notes (in thousands):

	2020	2019	2018
Cash interest expense (coupon interest expense)	$ 13,080	$ 13,081	$ 13,081
Non-cash amortization of discount on 3.25% Convertible Notes	9,717	9,171	8,655
Amortization of debt issuance costs	1,749	1,600	1,462
Total interest expense related to 3.25% Convertible Notes	$ 24,546	$ 23,852	$ 23,198

The Company has recorded changes in fair value associated with the contingent interest feature of the 3.25% Convertible Notes in interest expense for the years ended December 31, 2020, 2019, and 2018 of zero, $(0.8) million, and zero, respectively (see Note 7 - Fair Value Measurements).

1.75% Convertible Notes

On November 15, 2019, J2 Global issued $550.0 million aggregate principal amount of 1.75% convertible senior notes due November 1, 2026 (the “1.75% Convertible Notes”). J2 Global received proceeds of $537.1 million in cash, net of purchasers’ discounts and commissions and other debt issuance costs. A portion of the net proceeds were used to pay off all amounts outstanding under the MUFG Credit Facility (see Note 12 - Commitments and Contingencies). The 1.75% Convertible Notes bear interest at a rate of 1.75% per annum, payable semiannually in arrears on May 1 and November 1 of each year, beginning on May 1, 2020. The 1.75% Convertible Notes will mature on November 1, 2026, unless earlier converted or repurchased.

Holders may surrender their 1.75% Convertible Notes for conversion at any time prior to the close of business on the business day immediately preceding July 1, 2026 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on March 31, 2020 (and only during such calendar quarter), if the last reported sale price of J2 Global common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding the calendar quarter is greater than 130% of the applicable conversion price of the 1.75% Convertible Notes on each such applicable trading day; (ii) during the five business day period following any 10 consecutive trading day period in which the trading price per $1,000 principal amount of 1.75% Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of J2 Global common stock and the applicable conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events. On or after July 1, 2026, and prior to the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their notes at any time, regardless of the foregoing circumstances. J2 Global will settle conversions of the 1.75% Convertible Notes by paying or delivering, as the case may be, cash, shares of J2 Global common stock or a combination thereof at J2 Global’s election. The Company currently intends to satisfy its conversion obligation by paying and delivering a combination of cash and shares of the Company’s common stock. Holders of the notes will have the right to require the Company to repurchase for cash all or any portion of their notes upon the occurrence of certain corporate events, subject to certain conditions. As of December 31, 2020 and December 31, 2019, the market trigger conditions did not meet the conversion requirements of the 1.75% Convertible Notes and, accordingly, the 1.75% Convertible Notes are classified as long-term debt on the Consolidated Balance Sheets.

As of December 31, 2020, the initial conversion rate is 7.9864 shares of J2 Global common stock for each $1,000 principal amount of 1.75% Convertible Notes, which represents a conversion price of approximately $125.21 per share of J2 Global common stock. The conversion rate is subject to adjustment for certain events as set forth in the indenture governing the

1.75% Convertible Notes, but will not be adjusted for accrued interest. In addition, upon the occurrence of a "Make-Whole Fundamental Change" (as defined in the 1.75% Convertible Note Indenture), J2 Global will increase the conversion rate for a holder that elects to convert its 1.75% Convertible Notes in connection with such a corporate event in certain circumstances.

J2 Global may not redeem the 1.75% Convertible Notes prior to November 1, 2026, and no sinking fund is provided for the 1.75% Convertible Notes.

The 1.75% Convertible Notes are the Company's general senior unsecured obligations and rank: (i) senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 1.75% Convertible Notes; (ii) equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including its existing 3.25% Convertible Notes due 2029; (iii) effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries, including the former 6.0% Senior Notes due 2025.

Accounting for the 1.75% Convertible Notes

In accordance with ASC 470-20, *Debt with Conversion and Other Options*, convertible debt that can be settled for cash is required to be separated into the liability and equity component at issuance, with each component assigned a value. The value assigned to the liability component is the effective fair value, as of the issuance date, of similar debt without the conversion feature. The difference between the cash proceeds and estimated fair value of the liability component, representing the value of the conversion premium assigned to the equity component, is recorded as a debt discount on the issuance date. This debt discount is amortized to interest expense using the effective interest method over the period from the issuance date through the maturity date of November 1, 2026.

J2 Global estimated the borrowing rates of similar debt without the conversion feature at origination to be 5.5% for the 1.75% Convertible Notes and determined the debt discount to be $118.9 million. As a result, a conversion premium after tax of $88.1 million (net of $2.8 million of the deferred issuance costs) are recorded in additional paid-in capital. The aggregate debt discount is amortized as interest expense over the period from the issuance date through the maturity date of November 1, 2026, which management believes is the expected life of the 1.75% Convertible Notes using an interest rate of 5.5%. As of December 31, 2020, the remaining period over which the unamortized debt discount will be amortized is 5.8 years.

In connection with the issuance of the 1.75% Convertible Notes, the Company incurred $12.9 million of deferred issuance costs, which primarily consisted of the underwriters' discount, legal and other professional service fees. Of the total deferred issuance costs incurred, $10.1 million of such deferred issuance costs were attributable to the liability component and are recorded within other assets and are being amortized to interest expense through the maturity date. The unamortized balance, as of December 31, 2020, was $8.9 million. The remaining $2.8 million of the deferred issuance costs were netted with the equity component in additional paid-in capital at the issuance date

The 1.75% Convertible Notes are carried at face value less any unamortized debt discount and issuance costs. The fair value of the 1.75% Convertible Notes at each balance sheet date is determined based on recent quoted market prices or dealer quotes for the 1.75% Convertible Notes, which are Level 1 inputs (see Note 7 - Fair Value Measurements). If such information is not available, the fair value is determined using cash-flow models of the scheduled payments discounted at market interest rates for comparable debt without the conversion feature. As of December 31, 2020 and December 31, 2019, the estimated fair value of the 1.75% Convertible Notes was approximately $569.7 million and $559.6 million, respectively.

The following table provides additional information related to our 1.75% Convertible Notes (in thousands):

	2020	2019
Additional paid-in capital	$ 88,138	$ 88,138
Principal amount of 1.75% Convertible Notes	$ 550,000	$ 550,000
Less: Unamortized discount of the liability component	(102,631)	(117,193)
Less: Carrying amount of debt issuance costs	(8,889)	(9,987)
Net carrying amount of 1.75% Convertible Notes	$ 438,480	$ 422,820

The following table provides the components of interest expense related to our 1.75% Convertible Notes (in thousands):

	2020	2019
Cash interest expense (coupon interest expense)	$ 9,653	$ 1,174
Non-cash amortization of discount on 1.75% Convertible Notes	14,563	1,718
Amortization of debt issuance costs	1,098	122
Total interest expense related to 1.75% Convertible Notes	$ 25,314	$ 3,014

MUFG Credit Facility

On October 7, 2020, the Company terminated the Credit Agreement (see Note 12 - Commitments and Contingencies). During the year ended December 31, 2019, the Company drew down $185.0 million and repaid $185.0 million under its MUFG Credit Facility. The Company had capitalized the total of $0.4 million in debt issuance costs, which were being amortized to interest expense over the life of the MUFG Credit Facility. As of December 31, 2019, these debt issuance costs, net of amortization, were $0.3 million. The related interest expense was zero and $3.4 million for the years ended December 31, 2020 and 2019, respectively.

Paycheck Protection Program Loan

Through the acquisition of The Aberdeen Group, LLC and The Big Willow, Inc., the Company acquired $0.9 million of outstanding debt originating from the Paycheck Protection Program (see Note 4 - Business Combinations). As of December 31, 2020, the outstanding balance approximated fair value.

11. Leases

J2 Global leases certain facilities and equipment under non-cancelable operating and finance leases which expire at various dates through 2031. Office and equipment leases are typically for terms of three to five years and generally provide renewal options for terms up to an additional five years. Some of the Company's leases include options to terminate within one year.

During 2020, the Company decided to exit and seek subleases for certain leased facilities in the Digital Media reportable segment primarily due to a permanent "remote" or "partial remote" work model for a significant number of employees arising from the COVID-19 pandemic. The Company recorded a non-cash impairment charge of $12.1 million related to operating lease right-of-use assets for the affected facilities and an impairment charge of $3.6 million for associated property and equipment. The impairment was determined by comparing the fair value of the impacted right-of-use asset to the carrying value of the asset as of the impairment measurement date, as required under ASC Topic 360, Property, Plant, and Equipment. The fair value of the right-of-use asset was based on the estimated sublease income for the affected facilities taking into consideration the time it will take to obtain a sublease tenant, the applicable discount rate and the sublease rate which represents Level 3 unobservable inputs. The impairment is presented in general and administrative expenses on the Consolidated Statements of Operations. No impairment was recorded in 2019 or 2018.

In certain agreements in which the Company leases office space where the Company is the tenant, it subleases the site to various other companies through a sublease agreement.

The Company adopted the new lease standard and related amendments as of January 1, 2019 using the optional transition method. Results for reporting periods beginning after the adoption date are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840. Finance leases are not material to the Company's consolidated financial statements and are therefore not included in the disclosures. Upon adoption of ASC 842, the Company recorded approximately $72.0 million of right-of-use assets and approximately $75.0 million of operating lease liabilities.

The components of lease expense, recorded in cost of revenues and general and administrative expenses on the Consolidated Statements of Operations, were as follows for the year ended (in thousands):

	Years ended December 31, 2020	Years ended December 31, 2019
Operating lease cost	$ 42,025	$ 23,681
Short-term lease cost	1,807	1,918
Total lease cost	$ 43,832	$ 25,599

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2020	December 31, 2019
Operating leases		
Operating lease right-of-use assets	$ 105,845	$ 125,822
Total operating lease right-of-use assets	$ 105,845	$ 125,822
Operating lease liability, current	$ 32,211	$ 26,927
Operating lease liabilities, noncurrent	99,177	104,070
Total operating lease liabilities	$ 131,388	$ 130,997

Supplemental cash flow information related to leases was as follows (in thousands):

	Years ended December 31, 2020	Years ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 28,677	$ 24,750
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 31,669	$ 73,163

Other supplemental operating lease information consists of the following:

	December 31, 2020	December 31, 2019
Operating leases:		
Weighted average remaining lease term	5.2 years	5.9 years
Weighted average discount rate	3.93 %	3.95 %

Maturities of operating lease liabilities as of December 31, 2020 were as follows (in thousands):

	Operating Leases
Fiscal Year:	
2021	$ 34,636
2022	32,137
2023	26,255
2024	18,288
2025	9,843
Thereafter	38,447
Total lease payments	$ 159,606
Less: Imputed interest	(28,218)
Present value of operating lease liabilities	$ 131,388

Rental expense for operating leases classified under ASC 840 for the year ended December 31, 2018 was $21.0 million and was predominantly recorded within general and administrative expenses.

Sublease

Total sublease income for the years ended December 31, 2020, 2019 and 2018 was $2.6 million, $3.5 million and $2.8 million, respectively. Total estimated aggregate sublease income to be received in the future is $4.5 million.

In 2020, the Company recorded $2.1 million of impairment associated with one of its sublease tenants in default as a result of the economic effects of COVID-19. The impairment is presented in general and administrative expenses on the Consolidated Statement of Operations.

Significant Judgments

Discount Rate

The majority of the J2 Global's leases are discounted using the Company's incremental borrowing rate as the rate implicit in the lease is not readily determinable. Rates are obtained from various large banks to determine the appropriate incremental borrowing rate each quarter for collateralized loans with a maturity similar to the lease term.

Options

The lease term is generally the minimum noncancelable period of the lease. The Company does not include option periods unless the Company determined it is reasonably certain of exercising the option at inception or when a triggering event occurs.

Practical Expedients

As a practical expedient, the Company has not separated lease components from nonlease components for its real property operating leases. Certain of the Company's leases contain nonlease components such as maintenance and certain utility costs.

In addition, the Company elected and applied the available transition practical expedients upon adoption. By electing these practical expedients, the Company did:

- not reassess whether expired or existing contracts contain leases under the new definition of a lease;
- not reassess lease classification for expired or existing leases; and
- not reassess whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

12. Commitments and Contingencies

Litigation

From time to time, J2 Global and its affiliates are involved in litigation and other legal disputes or regulatory inquiries that arise in the ordinary course of business. Any claims or regulatory actions against J2 Global and its affiliates, whether meritorious or not, could be time consuming and costly, and could divert significant operational resources. The outcomes of such matters are subject to inherent uncertainties, carrying the potential for unfavorable rulings that could include monetary damages and injunctive relief.

On February 17, 2011, Emmanuel Pantelakis ("Pantelakis") filed suit against a J2 Global affiliate in the Ontario Superior Court of Justice (No. 11-50673), alleging that the J2 Global affiliate breached a contract relating to Pantelakis's use of the Campaigner service. The J2 Global affiliate filed a responsive pleading on March 23, 2011 and responses to undertakings on July 16, 2012. On November 6, 2012, Pantelakis filed a second amended statement of claim, reframing his lawsuit as a negligence action. The J2 Global affiliate filed an amended statement of defense on April 8, 2013. Discovery has closed, with the exception of one issue. There is an anticipated trial date of September 2021.

On January 21, 2016, Davis Neurology, P.A. filed a putative class action against two J2 Global affiliates in the Circuit Court for the County of Pope, State of Arkansas (58-cv-2016-40), alleging violations of the TCPA. The case was removed to the U.S. District Court for the Eastern District of Arkansas (No. 4:16-cv-00682). On March 20, 2017, the District Court granted a motion for judgment on the pleadings filed by the J2 Global affiliates and dismissed all claims against the J2 Global affiliates. On July 23, 2018, the Eighth Circuit Court of Appeals vacated the judgment and remanded to district court with instructions to return the case to state court. On January 29, 2019, after further appeals were exhausted, the case was remanded to the Arkansas state court. On April 1, 2019, the state court granted a motion for class certification filed by the plaintiff in 2016. Because the prior removal to federal court had deprived the state court of jurisdiction, the J2 Global affiliates had not yet filed an opposition brief to the 2016 motion when the state court granted the motion. The J2 Global affiliates appealed the order. On July 15, 2019, the J2 Global affiliates removed the case to federal court pursuant to the Class Action Fairness Act of 2005. On November 26, 2019 the court denied the Plaintiff's motion to remand. On December 20, 2019, the court granted the Plaintiff's motion for leave to amend its complaint. On May 21, 2020, the court denied J2 Global affiliates' motion to dismiss. On August 11, 2020, the court approved an opt-in class notice. Notice has not yet been issued and the J2 Global affiliates have moved to decertify the class. On December 2, 2020, the parties provided notice to the Court that they have reached a tentative settlement in the matter, and on February 18, 2021, the parties filed a motion for preliminary approval of the class settlement, certification of a settlement class and for permission to disseminate notice.

On July 8, 2020, Jeffrey Garcia filed a putative class action lawsuit against J2 Global in the Central District of California (20-cv-06906), alleging violations of federal securities laws. J2 Global has moved to dismiss the consolidated class action complaint.

On September 24, 2020, International Union of Operating Engineers of Eastern Pennsylvania and Delaware filed a lawsuit in the Delaware Court of Chancery (C.A. No. 2020-0819-VCL) asserting derivative claims against directors of J2 Global, Inc. and other third parties. On November 17, 2020, the court entered an order allowing Orlando Police Pension Fund to intervene as a plaintiff in the case. The lawsuit alleges violations of breach of fiduciary duty and usurpation of corporate opportunity. J2 Global and its directors and officers intend to defend against the lawsuit.

On December 11, 2020, Danning Huang filed a lawsuit in the District of Delaware (20-cv-01687-LPS) asserting derivative claims against directors of J2 Global, Inc. and other third parties. The lawsuit alleges violations of Section 14(a), Section 10(b), Section 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934, as well as breach of fiduciary duty, unjust enrichment and abuse of control. J2 Global and its directors and officers intend to defend against the lawsuit.

J2 Global does not believe, based on current knowledge, that the foregoing legal proceedings or claims, after giving effect to existing accrued liabilities, are likely to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could have a material effect on J2 Global's consolidated financial position, results of operations, or cash flows in a particular period.

The Company has accrued approximately $4.5 million in connection with potential loss contingencies relating to these legal proceedings because they are considered probable by management. It is the Company's policy to expense as incurred legal fees related to various litigations.

Credit Agreement

On January 7, 2019, J2 Cloud Services, LLC entered into a Credit Agreement (the "Credit Agreement") with certain lenders from time to time party thereto (collectively, the "Lenders") and MUFG Union Bank, N.A., as sole lead arranger and as administrative agent for the Lenders (the "Agent"). Pursuant to the Credit Agreement, as amended in July and August 2019, the Lenders provided J2 Cloud Services with a credit facility of $200.0 million (the "MUFG Credit Facility") through December 31, 2020. On November 15, 2019, the Company reduced its borrowing capacity from $200.0 million to $100.0 million. The proceeds of the MUFG Credit Facility were intended to be used for working capital and general corporate purposes of J2 Cloud and its subsidiaries, including to finance certain permitted acquisitions and capital expenditures in accordance with the terms of the Credit Agreement. On October 7, 2020, the Company terminated the Credit Agreement.

Non-Income Related Taxes

The Company does not collect and remit sales and use, telecommunication, or similar taxes in certain jurisdictions where the Company believes that such taxes are not applicable or legally required. Several states and other taxing jurisdictions have presented or threatened the Company with assessments, alleging that the Company is required to collect and remit such taxes there.

The Company is currently under audit or is subject to audit for indirect taxes in various states, municipalities and foreign jurisdictions. The Company has a $22.5 million reserve established for these matters which is included in other long-term liabilities and accounts payable and accrued expenses on the Consolidated Balance Sheet at December 31, 2020. It is reasonably possible that additional liabilities could be incurred resulting in additional expense, which could materially impact our financial results.

13. Income Taxes

The provision for income tax consisted of the following (in thousands):

	Years Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ 20,943	$ 23,306	$ 17,233
State	5,223	4,774	(617)
Foreign	36,387	15,988	3,094
Total current	62,553	44,068	19,710
Deferred:			
Federal	(6,173)	(1,903)	16,083
State	694	(5,620)	2,965
Foreign	11,319	(55,921)	6,002
Total deferred	5,840	(63,444)	25,050
Total provision	$ 68,393	$ (19,376)	$ 44,760

A reconciliation of the statutory federal income tax rate with J2 Global's effective income tax rate is as follows:

	Years Ended December 31,		
	2020	2019	2018
Statutory tax rate	21 %	21 %	21 %
State income taxes, net	1.5	0.9	1.2
Foreign rate differential	(0.1)	(3.8)	(7.7)
Foreign income inclusion	0.8	1.4	1.5
Foreign tax credit	(1.3)	(0.9)	(1.4)
Reserve for uncertain tax positions	3.5	(0.4)	4.1
Valuation allowance	3.7	0.2	0.2
Intra-entity tax benefit	—	(26.9)	—
Impact on deferred taxes of enacted tax law and rate changes	1.1	(1.3)	0.1
Contingent liabilities	—	0.6	2.4
Unrecognized loss on intercompany sale	—	—	1.9
Other	(0.5)	(0.5)	1.9
Effective tax rates	29.7 %	(9.7)%	25.2 %

The effective tax rate for the year ended December 31, 2020 differs from the federal statutory rate primarily due recording a valuation allowance on deferred tax assets related to realized and unrealized capital losses. In addition, the Company recorded a net increase in the reserve for uncertain tax positions during 2020. The effective tax rate for 2019 differs from the federal statutory rate primarily due to a tax benefit recognized as a result of an intra-entity asset transfer. In December 2019, the Company completed an intra-entity asset transfer between two of its foreign subsidiaries as part of the reorganization of its international operating structure. The transfer caused the recognition of a net tax benefit for $53.7 million and a corresponding deferred tax asset. Additionally, the jurisdictional mix of income and disallowance of certain losses and expenses caused further differences from the federal statutory rate. The effective tax rate for 2018 differs from the federal statutory rate primarily due to impacts of the jurisdictional mix of income and disallowance of certain losses and expenses.

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows (in thousands):

	Years Ended December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 21,183	$ 43,352
Tax credit carryforwards	9,022	4,152
Accrued expenses	19,572	9,946
Allowance for bad debt	4,366	2,547
Share-based compensation expense	5,923	4,669
Impairment of investments	6,762	1,675
Deferred revenue	1,334	—
State taxes	5,124	3,206
Other	12,045	9,958
	85,331	79,505
Less: valuation allowance	(8,307)	(608)
Total deferred tax assets	$ 77,024	$ 78,897
Deferred tax liabilities:		
Basis difference in property and equipment	$ (18,995)	$ (15,767)
Basis difference in intangible assets	(93,162)	(42,880)
Prepaid insurance	(2,905)	(1,847)
Convertible debt	(65,192)	(65,217)
Other	(2,925)	(663)
Total deferred tax liabilities	(183,179)	(126,374)
Net deferred tax liabilities	$ (106,155)	$ (47,477)

The Company had approximately $77.0 million and $78.9 million in deferred tax assets as of December 31, 2020 and 2019, respectively, related primarily to net operating loss carryforwards, basis difference in intangible assets including differences related to intra-entity transfers, tax credit carryforwards and accrued expenses treated differently between its financial statements and its tax returns. Based on the weight of available evidence, the Company assesses whether it is more likely than not that some portion or all of a deferred tax asset will not be realized. If necessary, J2 Global records a valuation allowance sufficient to reduce the deferred tax asset to the amount that is more likely that not to be realized. The deferred tax assets should be realized through future operating results and the reversal of temporary differences.

The Company had a valuation allowance on deferred tax assets of $8.3 million and $0.6 million as of December 31, 2020 and 2019, respectively. The valuation allowance increased $7.7 million as a result of impairment and sales of investments that would result in a capital loss in the year of sale. The deduction for the capital losses would be limited to other capital gains recognized during the year.

As of December 31, 2020, the Company had federal net operating loss carryforwards (“NOLs”) of $60.2 million, after considering substantial restrictions on the utilization of these NOLs due to “ownership changes”, as defined in the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). J2 Global currently estimates that all of the above-mentioned federal NOLs will be available for use before their expiration. $59.7 million of NOLs for losses incurred prior to January 1, 2018 expire through the year 2037. The NOLs for losses incurred after January 1, 2018 of $0.5 million have an indefinite carryforward period. Additionally, the Company has foreign NOLs of $5.8 million as of December 31, 2020 in various foreign jurisdictions which generally have an indefinite carryforward period.

As of December 31, 2020 and 2019, the Company had no foreign tax credit carryforward. In addition, as of December 31, 2020 and 2019, the Company had state research and development tax credits of $9.1 million and $3.2 million, respectively, which can be carried forward indefinitely.

The Company has not provided deferred taxes on approximately $454.5 million of undistributed earnings from foreign subsidiaries as of December 31, 2020. The Company has not provided any additional deferred taxes with respect to items such as foreign withholding taxes, state income tax or foreign exchange gain or loss that would be due when cash is actually repatriated to the U.S. because those foreign earnings are considered permanently reinvested in the business or may be remitted substantially free of any additional taxes. Because of the various avenues in which to repatriate the earnings, the determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings if eventually remitted is not practicable.

Certain tax payments are prepaid during the year and included within prepaid expenses and other current assets on the Consolidated Balance Sheet. The Company’s prepaid tax payments were $3.0 million and $3.7 million at December 31, 2020 and 2019, respectively.

Income before income taxes included income from domestic operations of $47.3 million, $81.6 million and $19.9 million for the years ended December 31, 2020, 2019 and 2018, respectively, and income from foreign operations of $183.1 million, $118.0 million and $157.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Uncertain Income Tax Positions

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold, it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company classifies gross interest and penalties and unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as non-current liabilities in the Consolidated Balance Sheets.

As of December 31, 2020, the total amount of unrecognized tax benefits was $49.1 million, of which $46.0 million, if recognized, would affect the Company’s effective tax rate. As of December 31, 2019, the total amount of unrecognized tax benefits was $46.7 million, of which $43.9 million, if recognized, would affect the Company’s effective tax rate. As of December 31, 2018, the total amount of unrecognized tax benefits was $51.3 million, of which $46.8 million, if recognized would affect the Company’s effective tax rate.

The aggregate changes in the balance of unrecognized tax benefits, which excludes interest and penalties, for 2020, 2019 and 2018, is as follows (in thousands):

	Years Ended December 31,		
	2020	**2019**	**2018**
Beginning balance	$ 46,703	$ 51,271	$ 45,012
Increases related to tax positions during a prior year	3,952	5,285	2,508
Decreases related to tax positions taken during a prior year	(245)	(7,441)	—
Increases related to tax positions taken in the current year	4,299	4,069	3,751
Settlements	(5,627)	(5,831)	—
Decreases related to expiration of statute of limitations	—	(650)	—
Ending balance	$ 49,082	$ 46,703	$ 51,271

The Company includes interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of December 31, 2020, 2019 and 2018, the total amount of interest and penalties accrued was $8.1 million, $5.8 million and $8.4 million, respectively, which is classified as a liability for uncertain tax positions on the Consolidated Balance Sheets. In connection with tax matters, the Company recognized interest and penalty expense (benefit) in 2020, 2019 and 2018 of $2.3 million, $(1.8) million and $1.2 million, respectively.

Uncertain income tax positions are reasonably possible to significantly change during the next 12 months as a result of completion of income tax audits and expiration of statutes of limitations. At this point it is not possible to provide an estimate of the amount, if any, of significant changes in reserves for uncertain income tax positions as a result of the completion of income tax audits that are reasonably possible to occur in the next 12 months. In addition, the Company cannot currently estimate the amount of, if any, uncertain income tax positions which will be released in the next 12 months as a result of expiration of statutes of limitations due to ongoing audits. As a result of ongoing federal, state and foreign income tax audits (discussed below), it is reasonably possible that the Company's entire reserve for uncertain income tax positions for the periods under audit will be released. It is also reasonably possible that the Company's reserves will be inadequate to cover the entire amount of any such income tax liability.

Income Tax Audits:

The Company is in various stages of audit by the U.S. Internal Revenue Service ("IRS") for its 2012 through 2016 tax years. As of December 31, 2020, the audits are ongoing.

The Company is under audit by the California Franchise Tax Board ("FTB") for its tax years 2012 and 2013. The FTB, however, has agreed to suspend its audit for 2012 and 2013 pending the outcome of the IRS audit for such tax years. In August 2018, the FTB notified the Company that it will commence an audit of tax years 2015 and 2016. As of December 31, 2020, the audits are ongoing.

In June 2019, the New York State Department of Taxation and Finance ("NYS") notified the Company that it will commence an audit for tax year 2015. In April 2020, the NYS notified the Company that it will also commence an audit for tax years 2016 and 2017. As of December 31, 2020, the audits are ongoing.

It is reasonably possible that these audits may conclude in the next 12 months and that the uncertain tax positions the Company has recorded in relation to these tax years may change compared to the liabilities recorded for these periods. If the recorded uncertain tax positions are inadequate to cover the associated tax liabilities, the Company would be required to record additional tax expense in the relevant period, which could be material. If the recorded uncertain tax positions are adequate to cover the associated tax liabilities, the Company would be required to record any excess as reduction in tax expense in the relevant period, which could be material. However, it is not currently possible to estimate the amount, if any, of such change.

14. Stockholders' Equity

Preferred Stock Exchange

In November 2014, the Company provided holders of the Company's Series A Preferred Stock ("J2 Series A Stock") and the Company's Series B Preferred Stock ("J2 Series B Stock") an exchange right in which shares may be exchanged for J2 common stock. The exchange right associated with the shares of J2 Series A Stock provided that such shares were immediately exercisable at an exchange ratio of 20.4319 shares of J2 common stock per share of J2 Series A Stock (the "Series A Exchange Ratio"). Both holders of the J2 Series A Stock exercised this exchange right which resulted in the issuance of 235,665 shares of J2 common stock. The exchange right associated with the vested shares of the J2 Series B Stock is exercisable during specified exchange periods at an exchange ratio of 31.8094 shares of J2 common stock per share of J2 Series B Stock (the "Series B Exchange Ratio"). Holders of vested J2 Series B Stock exercised this exchange right which resulted in the issuance of zero, zero and 10,530 shares of J2 common stock during fiscal years 2020, 2019, and 2018 respectively.

In connection with the exercise of the exchange right and the resulting extinguishment of the J2 Series A Stock, the Company recorded the difference between the carrying value of the Series A and the fair value of the J2 common stock exchanged within retained earnings as a preferred stock dividend. In connection with the exercise of the exchange right associated with J2 Series B Stock, the Company recognized incremental fair value in the amount of $6.3 million and recorded additional share-based compensation in the amount of zero, zero and $1.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2018, all incremental fair value associated with the exchange right of J2 Series B Stock had been recognized.

The Series B Exchange Ratio is adjusted in the event of a subdivision of the outstanding J2 common stock or J2 Series B Stock, a declaration of a dividend payable in shares of J2 common stock or J2 Series B Stock, a declaration of a dividend payable in a form other than shares in an amount that has a material effect on the value of shares of J2 common stock or J2 Series B Stock, a combination or consolidation of the outstanding J2 common stock or J2 Series B Stock into a lesser number of shares of J2 common stock or J2 Series B Stock, respectively, specified changes in control, a recapitalization, a reclassification, or a similar occurrence, the Company shall adjust the Series B Exchange Ratio as it deems appropriate in its sole discretion.

Common Stock Repurchase Program

In February 2012, the Company's Board of Directors approved a program authorizing the repurchase of up to five million shares of J2 Global common stock through February 20, 2013 (the "2012 Program") which was subsequently extended through February 20, 2021.

In July 2016, the Company acquired and subsequently retired 935,231 shares of J2 Global common stock in connection with the acquisition of Integrated Global Concepts, Inc. As a result of the purchase of J2 Global common stock, the Company's Board of Directors approved a reduction in the number of shares available for purchase under the 2012 Program by the same amount.

In November 2018 and May 2019, the Company entered into a Rule 10b5-1 trading plan with a broker to facilitate the repurchase program. 600,000 shares were repurchased in 2018 at an aggregate cost of $42.5 million and were subsequently retired in March 2019. During the year ended December 31, 2019, the Company repurchased 197,870 shares at an aggregate cost of $16.0 million which were subsequently retired in the same year. During the year ended December 31, 2020, the Company repurchased 1,140,819 shares at an aggregate cost of $87.5 million which were subsequently retired in the same year. As of December 31, 2020, all of the available shares were repurchased under the 2012 Program at an aggregate cost of $204.6 million (including an immaterial amount of commission fees).

On August 6, 2020, the Company's Board of Directors approved a program authorizing the repurchase of up to ten million shares of our common stock through August 6, 2025 (the "2020 Program") in addition to the five million shares repurchased under the 2012 Program. During the year ended December 31, 2020, the Company entered into a Rule 10b5-1 trading plan and repurchased 2,490,599 shares at an aggregate cost of $177.8 million (including an immaterial amount of commission fees) under the 2020 Program, which were subsequently retired.

As a result of the Company's share repurchase programs, the number of shares available for purchase is 7,509,401 shares of J2 Global common stock.

Periodically, participants in J2 Global's stock plans surrender to the Company shares of J2 Global stock to pay the exercise price or to satisfy tax withholding obligations arising upon the exercise of stock options or the vesting of restricted stock. During the year ended December 31, 2020, the Company purchased 111,451 shares from plan participants for this purpose.

Dividends

The following is a summary of each dividend declared during fiscal year 2019:

Declaration Date	Dividend per Common Share	Record Date	Payment Date
February 6, 2019	$ 0.4450	February 25, 2019	March 12, 2019
May 2, 2019	$ 0.4550	May 20, 2019	June 4, 2019

Future dividends are subject to Board approval. Based on the significant number of current investment opportunities within the Company's portfolio of businesses and the historic returns from prior investments, the Board of Directors suspended dividend payments for the foreseeable future after the June 4, 2019 payment.

15. Stock Options and Employee Stock Purchase Plan

J2 Global's share-based compensation plans include the 2015 Stock Plan and the 2001 Employee Stock Purchase Plan. Each plan is described below.

(a) The 2015 Stock Option Plan

In May 2015, J2 Global's Board of Directors adopted the J2 Global, Inc. 2015 Stock Option Plan (the "2015 Plan"). The 2015 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance share units and other share-based awards. 4,200,000 shares of common stock are authorized to be used for 2015 Plan purposes. Options under the 2015 Plan may be granted at exercise prices determined by the Board of Directors, provided that the exercise prices shall not be less than the higher of the par value or 100% of the fair market value of J2 Global's common stock subject to the option on the date the option is granted.

At December 31, 2020, 2019 and 2018, options to purchase 175,601, 163,741 and 298,577 shares of common stock were exercisable under and outside of the 2015 Plan, at weighted average exercise prices of $60.35, $45.94, and $32.15, respectively. Stock options generally expire after 10 years and vest over a 5-year period.

All stock option grants are approved by "outside directors" within the meaning of Internal Revenue Code Section 162(m).

Stock Options

Stock option activity for the years ended December 31, 2020, 2019 and 2018 is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2018	375,675	$ 31.30		
Granted	400,000	75.03		
Exercised	(67,898)	22.68		
Canceled	—	—		
Options outstanding at December 31, 2018	707,777	$ 56.84		
Granted	—	—		
Exercised	(189,436)	32.39		
Canceled	—	—		
Options outstanding at December 31, 2019	518,341	$ 65.77		
Granted	—	—		
Exercised	(42,740)	23.11		
Canceled	—	—		
Options outstanding at December 31, 2020	475,601	$ 69.61	6.2	$13,355,721
Exercisable at December 31, 2020	175,601	$ 60.35	4.7	$6,557,721
Vested and expected to vest at December 31, 2020	393,281	$ 68.47	6.0	$11,490,350

For the years ended December 31, 2020, 2019 and 2018, J2 Global granted zero, zero and 400,000 options, respectively, to purchase shares of common stock pursuant to the 2015 Plan. These stock options vest 20% per year and expire 10 years from the date of grant.

The per share weighted-average grant-date fair values of stock options granted during the period ended December 31, 2018 was $19.39.

The total intrinsic values of options exercised during the years ended December 31, 2020, 2019 and 2018 was $3.0 million, $10.4 million, and $3.8 million, respectively. The total fair value of options vested during the years ended December 31, 2020, 2019 and 2018 was $1.0 million, $1.0 million and $0.1 million, respectively.

Cash received from options exercised under all share-based payment arrangements for the years ended December 31, 2020, 2019 and 2018 was $1.6 million, $5.3 million and $1.5 million, respectively. The actual tax benefit realized for the tax deductions from option exercises under the share-based payment arrangements totaled $0.7 million, $2.4 million and $0.9 million, respectively, for the years ended December 31, 2020, 2019 and 2018, respectively.

The following table summarizes information concerning outstanding and exercisable options as of December 31, 2020:

	Options Outstanding			Exercisable Options	
Range of Exercise Prices	Number Outstanding December 31, 2020	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable December 31, 2020	Weighted Average Exercise Price
$29.34	45,351	0.36 years	$ 29.34	45,351	$ 29.34
29.53	7,250	1.17 years	29.53	7,250	29.53
67.35	23,000	4.35 years	67.35	23,000	67.35
75.03	400,000	7.00 years	75.03	100,000	75.03
$29.34 - $75.03	475,601	6.15 years	$ 69.61	175,601	$ 60.35

As discussed in Note 14, "Stockholders' Equity", the Company provided holders of J2 Series B Stock an exchange right in which J2 Series B Stock may be exchanged for J2 common stock during specified exchange periods. At December 31, 2020, there were 2,019,350 additional shares underlying options, shares of restricted stock and other share-based awards available for grant under the 2015 Plan.

The Company recognized $0.9 million, $0.9 million and $0.9 million of compensation expense related to stock options for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, there was $5.8 million of total unrecognized compensation expense related to nonvested share-based compensation options granted under the 2015 Plan. That expense is expected to be recognized ratably over a weighted average period of 5.00 years (i.e., the remaining requisite service period).

Fair Value Disclosure

J2 Global uses the Black-Scholes option pricing model to calculate the fair value of each option grant. The expected volatility is based on historical volatility of the Company's common stock. The Company estimates the expected term based upon the historical exercise behavior of its employees. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected term of the option assumed at the date of grant. The Company uses an annualized dividend yield based upon the per share dividends declared by its Board of Directors. Estimated forfeiture rates were 13.0%, 13.9% and 11.8% as of December 31, 2020, 2019 and 2018, respectively.

The weighted-average fair values of stock options granted have been estimated utilizing the following assumptions:

	Years ended December 31,		
	2020	2019	2018
Risk-free interest rate	—%	—%	2.4%
Expected term (in years)	0.0	0.0	6.7
Dividend yield	—%	—%	2.2%
Expected volatility	—%	—%	29.2%
Weighted average volatility	—%	—%	29.2%

Restricted Stock and Restricted Stock Units

J2 Global has awarded restricted stock and restricted stock units to its Board of Directors and senior staff pursuant to the 2015 Plan. Compensation expense resulting from restricted stock and restricted unit grants is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. Vesting periods are approximately one year for awards to members of the Company's Board of Directors, five years for senior staff (excluding market-based awards discussed below) and eight years for the Chief Executive Officer. The Company granted 129,786, 117,566 and 376,799 shares of restricted stock and restricted units (excluding awards with market conditions below) during the years ended December 31, 2020, 2019 and 2018, respectively.

On May 7, 2020, the Board of Directors approved the contract modification of an insignificant number of shares of restricted stock awards whereby selected participants waived their right to receive dividends with respect to outstanding and unvested restricted shares under their restricted stock agreements. There was no incremental compensation cost as a result of the modification.

Restricted Stock - Awards with Market Conditions

J2 Global has awarded certain key employees market-based restricted stock awards pursuant to the 2015 Plan. The market-based awards have vesting conditions that are based on specified stock price targets of the Company's common stock. Market conditions were factored into the grant date fair value using a Monte Carlo valuation model, which utilized multiple input variables to determine the probability of the Company achieving the specified stock price targets with a 20-day and 30-day lookback (trading days). Stock-based compensation expense related to an award with a market condition will be recognized over the requisite service period using the graded-vesting method regardless of whether the market condition is satisfied, provided that the requisite service period has been completed. During the years ended December 31, 2020, 2019, and 2018 the Company awarded 82,112, 74,051, and 473,501 market-based restricted stock awards, respectively. The per share weighted average grant-date fair values of the market-based restricted stock awards granted during the years ended December 31, 2020, 2019 and 2018 were $70.99, $69.99 and $52.95, respectively.

The weighted-average fair values of market-based restricted stock awards granted have been estimated utilizing the following assumptions:

	December 31, 2020	December 31, 2019	December 31, 2018
Underlying stock price at valuation date	$ 91.17	$ 84.58	$ 82.11
Expected volatility	27.0 %	28.3 %	28.4 %
Risk-free interest rate	0.7 %	2.5 %	2.9 %

The Company recognized $21.2 million, $21.7 million and $26.4 million, respectively of compensation expense related to its restricted stock, restricted stock units, and market-based restricted stock. As of December 31, 2020, the Company had unrecognized share-based compensation cost of $38.6 million associated with these awards. This cost is expected to be recognized over a weighted-average period of 4.2 years for awards and 4.5 years for units. The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2020, 2019 and 2018 was $18.6 million, $12.7 million and $9.7 million, respectively. The actual tax benefit realized for the tax deductions from the vesting of restricted stock awards and units totaled $2.1 million, $2.4 million and $2.4 million, respectively, for the years ended December 31, 2020, 2019 and 2018. Share-based compensation is recognized on dividends paid related to nonvested restricted stock not expected to vest, which amounted to approximately zero, $0.1 million and $0.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Restricted stock award activity for the years ended December 31, 2020, 2019 and 2018 is set forth below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2018	605,566	$ 51.57
Granted	830,256	63.55
Vested	(157,972)	61.29
Canceled	(70,839)	74.84
Nonvested at December 31, 2018	1,207,011	$ 64.82
Granted	187,773	79.00
Vested	(172,884)	73.65
Canceled	(116,841)	72.58
Nonvested at December 31, 2019	1,105,059	$ 64.76
Granted	1,268	98.63
Vested	(264,172)	70.25
Canceled	(21,589)	79.34
Nonvested at December 31, 2020	820,566	$ 62.66

Restricted stock unit activity for the years ended December 31, 2020, 2019 and 2018 is set forth below:

	Number of Shares	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2018	38,400		
Granted	20,044		
Vested	(11,540)		
Canceled	(5,673)		
Outstanding at December 31, 2018	41,231		
Granted	3,844		
Vested	(12,343)		
Canceled	(11,858)		
Outstanding at December 31, 2019	20,874		
Granted	210,630		
Vested	(9,029)		
Canceled	(12,691)		
Outstanding at December 31, 2020	209,784	3.5	$ 20,493,799
Vested and expected to vest at December 31, 2020	135,944	2.7	$ 13,280,344

Employee Stock Purchase Plan ("ESPP")

In May of 2001, J2 Global established the J2 Global, Inc. 2001 Employee Stock Purchase Plan, as amended (the "Purchase Plan"), which provides for the issuance of a maximum of 2,000,000 shares of common stock. Under the Purchase Plan, eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of J2 Global's common stock at certain plan-defined dates. The price of the common stock purchased under the Purchase Plan for the offering periods is equal to 95% of the fair market value of the common stock at the end of the offering period.

On February 2, 2018, the Company approved an amendment to the Company's Amended and Restated 2001 Employee Stock Purchase Plan, to be effective May 1, 2018, such that (i) the purchase price for each offering period shall be 85% of the lesser of the fair market value of a share of common stock of the Company (a "Share") on the beginning or the end of the offering period, rather than 95% of the fair market value of a Share at the end of the offering period, and (ii) each offering period will be six months, rather than three months.

J2 Global performed an analysis of the Amendment terms and determined that a plan provision exists which allows for the more favorable of two exercise prices, commonly referred to as a "look-back" feature. The purchase price discount and the look-back feature cause the Purchase Plan to be compensatory and the Company to recognize compensation expense. The compensation cost is recognized on a straight-line basis over the requisite service period. The Company recognized $2.0 million, $1.3 million and $0.7 million of compensation expense related to the Purchase Plan for the years ended December 31, 2020, 2019 and 2018, respectively. The Company used the Black-Scholes option pricing model to calculate the estimated fair value of the purchase right issued under the ESPP. The expected volatility is based on historical volatility of the Company's common stock. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected term of the option assumed at the date of grant. The Company uses an annualized dividend yield based upon the per share dividends declared by its Board of Directors. Estimated forfeiture rates were 11.15%, 5.80% and 1.96% as of December 31, 2020, 2019, and 2018, respectively.

During 2020, 2019 and 2018, 118,629, 66,413 and 33,262 shares, respectively were purchased under the Purchase Plan at price ranging from $61.51 to $62.82 per share during 2020. As of December 31, 2020, 1,404,939 shares were available under the Purchase Plan for future issuance.

16. Defined Contribution 401(k) Savings Plan

J2 Global has several 401(k) Savings Plans that qualify under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a portion of their salary through payroll deductions, subject to certain limitations. The Company may make annual contributions at its sole discretion to these plans. For the years ended December 31, 2020, 2019 and 2018, the Company made contributions of $3.5 million, $3.7 million and $3.6 million, respectively, to these 401(k) Savings Plans.

17. Earnings Per Share

The components of basic and diluted earnings per share are as follows (in thousands, except share and per share data):

	Years Ended December 31,		
	2020	**2019**	**2018**
Numerator for basic and diluted net income per common share:			
Net income attributable to J2 Global, Inc. common shareholders	$ 150,668	$ 218,806	$ 128,687
Net income available to participating securities [(1)]	(632)	(3,496)	(1,885)
Net income available to J2 Global, Inc. common shareholders	$ 150,036	$ 215,310	$ 126,802
Denominator:			
Weighted-average outstanding shares of common stock	46,308,825	47,647,397	47,950,746
Dilutive effect of:			
Equity incentive plans	25,232	78,076	146,906
Convertible debt [(2)]	788,454	1,300,211	830,139
Common stock and common stock equivalents	47,122,511	49,025,684	48,927,791
Net income per share:			
Basic	$ 3.24	$ 4.52	$ 2.64
Diluted	$ 3.18	$ 4.39	$ 2.59

(1) Represents unvested share-based payment awards that contain certain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid).

(2) Represents the incremental shares issuable upon conversion of the 3.25% Convertible Notes due June 15, 2029 and 1.75% Convertible Notes due November 1, 2026 by applying the treasury stock method when the average stock price exceeds the conversion price of the Convertible Notes (see Note 10 - Long Term Debt).

For the years ended December 31, 2020, 2019 and 2018, there were zero options outstanding, respectively, which were excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common stock.

18. Segment Information

The Company's businesses are based on the organizational structure used by the chief operating decision maker ("CODM") for making operating and investment decisions and for assessing performance. The CODM views the Company as two businesses: Cloud Services and Digital Media. However, in accordance with the aggregation criteria within ASC Topic 280, J2 Global's operating segments have been aggregated into three reportable segments: (i) Fax and Martech (formerly Email Marketing); (ii) Voice, Backup, Security, and Consumer Privacy and Protection; and (iii) Digital Media. In connection with the Highwinds Capital, Inc. and Cloak Holdings, LLC acquisition in the second quarter of 2019 (see Note 4 - Business Acquisitions), the Company renamed its Voice, Backup and Security reportable segment to include its newly acquired consumer privacy and protection business, now the Voice, Backup, Security and Consumer Privacy and Protection segment.

The Company's Cloud Services business is driven primarily by subscription revenues that are relatively higher margin, stable and predictable from quarter to quarter with minor seasonal weakness in the fourth quarter. The Company's Digital Media business is driven primarily by advertising and subscription revenues, has relatively higher sales and marketing expense and has seasonal strength in the fourth quarter.

The accounting policies of the businesses are the same as those described in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies. The Company evaluates performance based on revenue, gross margin and profit or loss from operations before income taxes, not including nonrecurring gains and losses and foreign exchange gains and losses.

Information on reportable segments and reconciliation to consolidated income from operations is as follows (in thousands):

	Years Ended December 31, 2020	2019	2018
Revenue by reportable segment:			
Fax and Martech [(1)]	$ 386,276	$ 378,444	$ 360,479
Voice, Backup, Security, and CPP [(1)]	292,185	283,391	237,496
Cloud Services Total	678,461	661,835	597,975
Digital Media	811,360	710,511	609,374
Elimination of inter-segment revenues	(229)	(300)	(60)
Total segment revenues	1,489,592	1,372,046	1,207,289
Corporate [(2)]	1	8	6
Total revenues	1,489,593	1,372,054	1,207,295
Gross profit by reportable segment:			
Fax and Martech [(1)]	320,714	318,677	311,534
Voice, Backup, Security, and CPP [(1)]	203,486	198,888	164,287
Cloud Services Total	524,200	517,565	475,821
Digital Media	733,887	617,458	530,455
Elimination of inter-segment gross profit	(229)	(300)	(60)
Total segment gross profit	1,257,858	1,134,723	1,006,216
Corporate [(2)]	(47)	8	5
Total gross profit	1,257,811	1,134,731	1,006,221
Direct costs by reportable segment [(3)]:			
Fax and Martech [(1)(4)]	116,923	119,574	125,963
Voice, Backup, Security, and CPP [(1)(4)]	158,074	150,451	113,666
Cloud Services Total	274,997	270,025	239,629
Digital Media [(4)]	594,807	540,193	483,167
Elimination of inter-segment direct costs	(229)	(300)	(60)
Total segment direct costs	869,575	809,918	722,736
Corporate [(2)]	53,625	47,733	39,205
Total direct costs [(3)]	923,200	857,651	761,941
Operating income by reportable segment:			
Fax and Martech	203,791	199,103	185,571
Voice, Backup, Security, and CPP	45,412	48,437	50,621
Cloud Services Total	249,203	247,540	236,192
Digital Media	139,080	77,265	47,288
Total segment operating income	388,283	324,805	283,480
Corporate [(2)]	(53,672)	(47,725)	(39,200)
Total income from operations	$ 334,611	$ 277,080	$ 244,280

(1) The Company reclassified certain intercompany revenue and expenses in 2019 and 2018 for Cloud Services in order to better align with a stand-alone presentation.

(2) Corporate includes costs associated with general and administrative and other expenses that are managed on a global basis and that are not directly attributable to any particular segment.

(3) Direct costs for each segment include other operating expenses that are directly attributable to the segment, such as employee compensation expense, local sales and marketing expenses, engineering and network operations expense, depreciation and amortization and other administrative expenses.

(4) Table above has been recast to remove the impact of certain expenses associated with the Corporate entity that were previously allocated to the Cloud Services and Digital Media businesses.

The CODM does not use Balance Sheet and Cash Flow information in connection with operating and investment decisions other than as presented for Cloud Services and Digital Media. Accordingly, the following segment information is presented for Cloud Services and Digital Media.

	2020	2019
Assets:		
Cloud Services	$ 1,473,398	$ 1,466,969
Digital Media	2,088,397	1,561,024
Total assets from Cloud Services and Digital Media	3,561,795	3,027,993
Corporate	103,536	477,853
Total assets	$ 3,665,331	$ 3,505,846

	2020	2019	2018
Capital expenditures:			
Cloud Services	$ 32,859	$ 21,826	$ 13,832
Digital Media	59,693	48,736	42,547
Total capital expenditures from Cloud Services and Digital Media	92,552	70,562	56,379
Corporate	—	26	—
Total capital expenditures	$ 92,552	$ 70,588	$ 56,379
Depreciation and amortization:			
Cloud Services	$ 79,754	$ 80,970	$ 60,754
Digital Media	145,321	148,575	122,843
Total depreciation and amortization from Cloud Services and Digital Media	225,075	229,545	183,597
Corporate	3,662	2,487	3,577
Total depreciation and amortization	$ 228,737	$ 232,032	$ 187,174

J2 Global maintains operations in the U.S., Canada, Ireland, Japan and other countries. Geographic information about the U.S. and all other countries for the reporting periods is presented below. Such information attributes revenues based on markets where revenues are reported (in thousands).

	Years ended December 31,		
	2020	2019	2018
Revenues:			
United States	$ 1,215,281	$ 1,100,298	$ 924,051
Canada	70,073	67,518	73,742
Ireland	55,917	59,009	69,291
All other countries	148,322	145,229	140,211
Total	$ 1,489,593	$ 1,372,054	$ 1,207,295

	December 31, 2020	December 31, 2019
Long-lived assets:		
United States	$ 918,125	$ 701,580
All other countries	54,073	76,927
Total	$ 972,198	$ 778,507

19. Supplemental Cash Flows Information

Cash paid for interest on outstanding debt during the years ended December 31, 2020, 2019 and 2018 was $106.0 million, $55.4 million and $54.0 million, respectively, which is the primary contributor for total cash paid for interest.

Cash paid for income taxes net of refunds received was $45.0 million, $45.9 million and $37.6 million during the years ended December 31, 2020, 2019 and 2018, respectively.

During the years ended December 31, 2020, 2019 and 2018, J2 Global recorded the tax benefit from the exercise of stock options and restricted stock as a reduction of its income tax liability of $2.9 million, $4.8 million and $3.3 million, respectively.

In the first quarter of 2020, in a non-cash transaction of $18.3 million, the Company exchanged shares of redeemable preferred stock that were previously classified as available-for-sale corporate debt securities for a new series of preferred stock, classified as equity securities without a readily determinable fair value (see Note 5 - Investments).

20. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated balances of other comprehensive loss (income), net of tax, for the years ended December 31, 2020, 2019, and 2018 (in thousands):

	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Total
Balance as of January 1, 2018	$ —	$ (29,090)	$ (29,090)
Other comprehensive loss before reclassifications	(1,418)	(15,471)	(16,889)
Net current period other comprehensive loss	(1,418)	(15,471)	(16,889)
Balance as of December 31, 2018	$ (1,418)	$ (44,561)	$ (45,979)
Other comprehensive income (loss) before reclassifications	1,143	(1,626)	(483)
Net current period other comprehensive income (loss)	1,143	(1,626)	(483)
Balance as of December 31, 2019	$ (275)	$ (46,187)	$ (46,462)
Other comprehensive income (loss) before reclassifications	558	(8,902)	(8,344)
Net current period other comprehensive income (loss)	558	(8,902)	(8,344)
Balance as of December 31, 2020	$ 283	$ (55,089)	$ (54,806)

The following table provides details about reclassifications out of accumulated other comprehensive loss for the years ended December 31, 2020, 2019, and 2018.

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss			Affected Line Item in the Statements of Operations
	For the years ending December 31,			
	2020	2019	2018	
Unrealized loss on available-for-sale investments	$ 698	$ —	$ —	Loss on investments, net
	698	—	—	Income before income taxes
	—	—	—	Income tax expense
Total reclassifications for the period	$ 698	$ —	$ —	Net Income

21. Quarterly Results (unaudited)

The following tables contain selected unaudited Statements of Operations information for each quarter of 2020 and 2019 (in thousands, except share and per share data). J2 Global believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Year Ended December 31, 2020			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	$ 469,240	$ 356,976	$ 330,984	$ 332,393
Gross profit	409,213	301,154	274,182	273,262
Net income	58,088	60,883	38,101	(6,404)
Net income per common share:				
Basic	$ 1.30	$ 1.31	$ 0.81	$ (0.13)
Diluted	$ 1.27	$ 1.31	$ 0.80	$ (0.13)
Weighted average shares outstanding				
Basic	44,504,222	46,279,515	46,850,944	47,620,774
Diluted	45,642,292	46,309,072	47,437,555	47,620,774

	Year Ended December 31, 2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	$ 405,588	$ 344,141	$ 322,432	$ 299,893
Gross profit	341,260	282,425	262,166	248,880
Net income [1]	123,023	30,745	32,589	32,449
Net income per common share:				
Basic	$ 2.54	$ 0.63	$ 0.67	$ 0.67
Diluted	$ 2.45	$ 0.62	$ 0.66	$ 0.66
Weighted average shares outstanding				
Basic	47,626,833	47,673,211	47,727,786	47,560,749
Diluted	49,425,395	49,064,272	49,102,879	48,509,181

[1] The increase in the Company's net income in the fourth quarter of 2019 is primarily driven by the tax benefit recognized as a result of an intra-entity asset transfer (see Note 13 - Income Taxes).

22. Subsequent Events

In February 2021, the Company committed to a plan to sell certain Voice assets in the United Kingdom as they were determined to be non-core assets. Such assets are recorded within the Voice, Backup, Security, and CPP reportable segment. On February 9, 2021, in a cash transaction, the Company completed the sale of these assets. Also in February 2021, the Company's Board of Directors approved the exploration of strategic alternatives for the Company's B2B Backup business.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, J2 Global's management, with the participation of Vivek Shah, our principal executive officer, and R. Scott Turicchi, our principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, Mr. Shah and Mr. Turicchi concluded that these disclosure controls and procedures were effective as of the end of the period covered in this Annual Report on Form 10-K.

(b) Management's Annual Report on Internal Control Over Financial Reporting

J2 Global's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for J2 Global. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) using the 2013 framework. Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its assessment, management has concluded that J2 Global's internal control over financial reporting was effective as of December 31, 2020. Management did not assess the effectiveness of internal control over financial reporting of all the 2020 acquisitions (see Note 4 - Business Acquisitions) because of the timing of these acquisitions. These acquisitions combined constituted 17.7% of total assets as of December 31, 2020 and 4.2% of revenues for the year then ended. Our internal controls over financial reporting as of December 31, 2020 have been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in the attestation report which is included herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) which occurred during the fourth quarter of our fiscal year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(d) Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
J2 Global, Inc.
Los Angeles, California

Opinion on Internal Control over Financial Reporting

We have audited J2 Global, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule listed in the accompanying index and our report dated March 1, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As indicated in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of 2020 acquisitions, which are included in the consolidated balance sheets of the Company as of December 31, 2020, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year then ended. These acquisitions combined constituted 17.7% of total assets as of December 31, 2020, and 4.2% of revenues for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of the 2020 acquisitions because of the timing of these acquisitions. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the 2020 acquisitions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Los Angeles, California
March 1, 2021

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the information to be set forth in our proxy statement ("2021 Proxy Statement") for the 2021 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the information to be set forth in our 2021 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information to be set forth in our 2021 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the information to be set forth in our 2021 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the information to be set forth in our 2021 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements.

The following financial statements are filed as a part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Income
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Financial Statement Schedule

The following financial statement schedule is filed as part of this Annual Report on Form 10-K:

Schedule II-Valuation and Qualifying Accounts

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

3. Exhibits

The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference as indicated below (numbered in accordance with Item 601 of Regulation S-K). We shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

Exhibit No.	Exhibit Title
3.1	Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of June 10, 2014 (8)
3.1.1	Amendment to the Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of September 5, 2019 (18)
3.2	Fourth Amended and Restated By-Laws (12)
4.1	Specimen of Common Stock Certificate (6)
4.2.1	Indenture, dated as of June 10, 2014 (9)
4.2.2	First Supplemental Indenture, dated as of June 17, 2014 (10)
4.3	Indenture, dated as of June 27, 2017 (14)
4.4	Indenture, dated as of November 15, 2019 (19)
4.5	Description of Registered Securities (22)
4.6	Indenture, dated as of October 7, 2020 (7)
4.7	Form of Waiver Regarding Restricted Stock Agreements (23)
10.1	J2 Global, Inc. 2007 Stock Option Plan (5)
10.2	J2 Global, Inc. 2015 Stock Option Plan (11)
10.3	Form of Restricted Stock Agreement Pursuant to J2 Global, Inc. 2015 Stock Option Plan (13)
10.4	Amended and Restated J2 Global, Inc. 2001 Employee Stock Purchase Plan (4)
10.4.1	Amendment to Amended and Restated J2 Global, Inc. 2001 Employee Stock Purchase Plan (15)
10.5	Letter Agreement, dated as of April 1, 2001, between J2 Global, Inc. and Orchard Capital Corporation (2)
10.5.1	Amendment to Letter Agreement, dated as of December 31, 2001, between J2 Global, Inc. and Orchard Capital Corporation (3)
10.6	Registration Rights Agreement, dated as of June 30, 1998, by and among JFAX Communications, Inc., the Delaware State Employees' Retirement Fund, the Declaration of Trust for Defined Benefit Plan of ICI American Holdings Inc., the Declaration of Trust for Defined Benefit Plan of Zeneca Holdings Inc., the J.W. McConnell Family Foundation, DCJ Fund Investment Partners II, L.P., DLJ Capital Corporation, GMT Partners, LLC, Orchard/JFAX Investors, L.L.C. and DLJ Private Equity Employees Fund, L.P. (1)
10.7	Second Amended and Restated Limited Partnership Agreement, dated as of January 19, 2018, by and among OCV I GP, LLC and J2 Global, Inc. (16)
10.8	Credit Agreement, dated as of January 7, 2019, among J2 Cloud Services, LLC, MUFG Union Bank, N.A., as Administrative Agent, and MUFG Union Bank, N.A., as Sole Lead Arranger (17)
10.8.1	First Amendment to Credit Agreement, dated July 1, 2019 (20)
10.8.2	Second Amendment to Credit Agreement, dated August 16, 2019 (21)
21.1	List of subsidiaries of J2 Global, Inc.
23.1	Consent of Independent Registered Public Accounting Firm – BDO USA, LLP
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to J2 Global's Registration Statement on Form S-1 filed with the Commission on April 16, 1999, Registration No. 333-76477.
(2) Incorporated by reference to J2 Global's Annual Report on Form 10-K/A filed with the Commission on April 30, 2001.
(3) Incorporated by reference to J2 Global's Annual Report on Form 10-K filed with the Commission on April 1, 2002.
(4) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on May 3, 2006.
(5) Incorporated by reference to Exhibit A to J2 Global's Definitive Proxy Statement on Schedule 14A filed with the Commission on September 18, 2007.
(6) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on December 7, 2011.
(7) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on October 7, 2020.
(8) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on June 10, 2014.
(9) Incorporated by reference to J2 Global's Registration Statement on Form S-3ASR filed with the Commission on June 10, 2014, Registration No. 333-196640.
(10) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on June 17, 2014.
(11) Incorporated by reference to Annex A to j2 Global's Definitive Proxy Statement on Schedule 14A filed with the Commission on March 26, 2015.
(12) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on May 11, 2020.
(13) Incorporated by reference to J2 Global's Annual Report on Form 10-K filed with the Commission on March 1, 2017.
(14) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on June 27, 2017.
(15) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on February 8, 2018.
(16) Incorporated by reference to J2 Global's Current Report on Form 10-K filed with the Commission on March 1, 2018.
(17) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on January 9, 2019.
(18) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on November 1, 2019.
(19) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on November 15, 2019.
(20) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on July 1, 2019.
(21) Incorporated by reference to J2 Global's Current Report on Form 8-K filed with the Commission on August 16, 2019.
(22) Incorporated by reference to J2 Global's Annual Report on Form 10-K filed with the Commission on March 2, 2020.
(23) Incorporated by reference to J2 Global's Current Report on Form 10-Q filed with the Commission on August 10, 2020.

Item 16. Form 10-K Summary

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 1, 2021.

J2 Global, Inc.

By: /s/ VIVEK SHAH
Vivek Shah
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated, in each case on March 1, 2021.

Signature	Title
/s/ VIVEK SHAH **Vivek Shah**	Chief Executive Officer and a Director (Principal Executive Officer)
/s/ R. SCOTT TURICCHI **R. Scott Turicchi**	President and Chief Financial Officer (Principal Financial Officer)
/s/ STEVE P. DUNN **Steve P. Dunn**	Chief Accounting Officer
/s/ RICHARD S. RESSLER **Richard S. Ressler**	Chairman of the Board and a Director
/s/ DOUGLAS Y. BECH **Douglas Y. Bech**	Director
/s/ SARAH FAY **Sarah Fay**	Director
/s/ JON MILLER **Jon Miller**	Director
/s/ STEPHEN ROSS **Stephen Ross**	Director
/s/ PAMELA SUTTON-WALLACE **Pamela Sutton-Wallace**	Director
/s/ SCOTT C. TAYLOR **Scott C. Taylor**	Director
/s/ WILLIAM B. KRETZMER **William B. Kretzmer**	Director

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions: Write-offs [1] and recoveries	Balance at End of Period
Year Ended December 31, 2020:				
Allowance for doubtful accounts	$ 12,701	$ 13,283	$ (9,966)	$ 16,018
Deferred tax asset valuation allowance	$ 608	$ 9,456	$ (1,757)	$ 8,307
Year Ended December 31, 2019:				
Allowance for doubtful accounts	$ 10,422	$ 13,134	$ (10,855)	$ 12,701
Deferred tax asset valuation allowance	$ 44	$ 595	$ (31)	$ 608
Year Ended December 31, 2018:				
Allowance for doubtful accounts	$ 8,701	$ 17,338	$ (15,617)	$ 10,422
Deferred tax asset valuation allowance	$ 197	$ —	$ (153)	$ 44

(1) Represents specific amounts written off that were considered to be uncollectible.

<u>EXHIBIT 21.1</u>

List of Subsidiaries of
J2 Global, Inc.

J2 Global, Inc.'s principal affiliates as of December 31, 2020, are listed below. All other affiliates, if considered in the aggregate as a single affiliate, would not constitute a significant subsidiary.

Name	State or Other Jurisdiction of Incorporation
j2 Global Canada, Inc.	Canada
J2 Global Denmark A/S	Denmark
Ekahau Oy	Finland
Electric Mail (Ireland) Limited	Ireland
j2 Global Holdings Limited	Ireland
j2 Global Ireland Limited	Ireland
Ziff Davis Ireland Limited	Ireland
j2 Global Japan Y.K.	Japan
Serinus42 B.V.	Netherlands
NCSG Holding AB	Sweden
J2 Global Sweden AB	Sweden
J2 Global UK Limited	United Kingdom
Livedrive Internet Limited	United Kingdom
RetailMeNot Limited	United Kingdom
RetailMeNot UK Ltd	United Kingdom
Ziff Davis International Ltd.	United Kingdom
BabyCenter.com, LLC	Delaware, United States
DW Prime Holdings Inc.	Delaware, United States
Ekahau, Inc.	Delaware, United States
Everyday Health, Inc.	Delaware, United States
Everyday Health Media, LLC	Delaware, United States
Humble Bundle, Inc.	Delaware, United States
J2 Martech Corp.	Delaware, United States
IGN Entertainment, Inc.	Delaware, United States
Inspired eLearning, LLC	Delaware, United States
J2 Cloud Services, LLC	Delaware, United States
J2 Web Services, Inc.	Delaware, United States
KeepItSafe, Inc.	Delaware, United States
Mashable, Inc.	Delaware, United States
Offers.com, LLC	Delaware, United States
OnTargetJobs, Inc.	Delaware, United States
RetailMeNot, Inc.	Delaware, United States
Ziff Davis Performance Marketing, Inc.	Delaware, United States
SpiceWorks, Inc.	Delaware, United States
ThreatTrack Security Holdings, Inc.	Delaware, United States
Ziff Davis, LLC	Delaware, United States
ThreatTrack Security, Inc.	Florida, United States
Mudhook Marketing, Inc.	Florida, United States
NetProtect, Inc.	Florida, United States
Prime Education, LLC	Florida, United States
Strong Technology, LLC	Florida, United States
MedPage Today, L.L.C.	New Jersey, United States
Excel Micro, LLC	Pennsylvania, United States
Mosaik Solutions, LLC	Tennessee, United States
Ookla, LLC	Washington, United States

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

J2 Global, Inc.
Los Angeles, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-149641, 333-64986, 333-135340, 333-55402, 333-31064 and 333-203913) of J2 Global, Inc. of our reports dated March 1, 2021, relating to the consolidated financial statements and schedule, and the effectiveness of J2 Global, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Los Angeles, California
March 1, 2021

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Vivek Shah, certify that:

1. I have reviewed this Annual Report on Form 10-K of J2 Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

	/s/ VIVEK SHAH
	Vivek Shah
Dated: March 1, 2021	Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, R. Scott Turicchi, certify that:

1. I have reviewed this Annual Report on Form 10-K of J2 Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ R. SCOTT TURICCHI

R. Scott Turicchi
Chief Financial Officer
(Principal Financial Officer)

Dated: March 1, 2021

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of J2 Global, Inc. (the “Company”) for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Vivek Shah, as Chief Executive Officer (Principal Executive Officer) of the Company, and R. Scott Turicchi, as Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2021

By: /s/ VIVEK SHAH
Vivek Shah
Chief Executive Officer
(Principal Executive Officer)

Dated: March 1, 2021

By: /s/ R. SCOTT TURICCHI
R. Scott Turicchi
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to J2 Global, Inc. and will be retained by J2 Global, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.