



SECOND QUARTER 2024 SUPPLEMENTAL MATERIALS

August 7, 2024

Non-GAAP Financial Measures

The below non-GAAP financial measures are not measures presented in accordance with GAAP, and our use of these terms may vary from that of other companies, limiting their usefulness for comparison purposes. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. These non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations determined in accordance with GAAP.

Non-GAAP financial measures exclude the certain items listed below. We believe that excluding these items from the non-GAAP measures facilitates comparisons to historical operating results and comparisons to peers, many of which exclude similar items. We believe that non-GAAP financial measures provide meaningful supplemental information regarding operational performance. We further believe these measures are useful to investors in that they allow for greater transparency of certain line items in the Company's financial statements.

Adjusted EBITDA is defined as Net income (loss) with adjustments to reflect the addition or elimination of certain items including, but not limited to: Interest expense, net; (Gain) loss on debt extinguishment, net; (Gain) loss on sale of business; Unrealized (gain) loss on short-term investments held at the reporting date, net; (Gain) loss on investments, net; Other (income) loss, net; Income tax (benefit) expense; (Income) loss from equity method investments, net; Depreciation and amortization; Share-based compensation; Acquisition, integration, and other costs; Disposal related costs; Lease asset impairments and other charges; and Goodwill impairment on business.

Adjusted net income (loss) is defined as Net income (loss) with adjustments to reflect the addition or elimination of certain statement of operations items including, but not limited to: Interest, net; (Gain) loss on debt extinguishment, net; (Gain) loss on sale of business; Unrealized (gain) loss on short-term investments held at the reporting date, net; (Gain) loss on investments, net; (Income) loss from equity method investments, net; Amortization; Share-based compensation; Acquisition, integration, and other costs; Disposal related costs; Lease asset impairments and other charges; and Goodwill impairment on business.

Adjusted diluted EPS is calculated by dividing Adjusted net income (loss) by the diluted weighted average shares of common stock outstanding excluding the effect of convertible debt dilution.

Free cash flow is defined as Net cash provided by operating activities, less purchases of property and equipment, plus changes in contingent consideration (if any).

Adjusted effective tax rate is calculated based upon the GAAP effective tax rate with adjustments for the tax applicable to non-GAAP adjustments to Net income (loss), generally based upon the effective marginal tax rate of each adjustment.

Non-GAAP reconciliation: Adjusted EBITDA

\$ in 000's

Ziff Davis	Three months ended June 30,	
	2024	2023
Net income	\$ 36,910	\$ 16,679
Interest expense, net	1,804	10,483
Unrealized loss on short-term investments held at the reporting date, net	—	3,196
Gain on investments, net	(3,051)	—
Other (income) loss, net	(5,267)	1,503
Income tax expense	6,990	6,461
Income from equity method investments, net	(8,817)	(927)
Depreciation and amortization	52,141	56,856
Share-based compensation	11,600	9,217
Acquisition, integration, and other costs	3,837	3,369
Disposal related costs	77	60
Lease asset impairments and other charges	40	(221)
Adjusted EBITDA	\$ 96,264	\$ 106,676

Non-GAAP reconciliation: Adjusted net income and Adjusted diluted EPS

\$ in 000's

Ziff Davis	Three months ended June 30,			
	2024	Per diluted share ⁽¹⁾	2023	Per diluted share ⁽¹⁾
Net income	\$ 36,910	\$ 0.77	\$ 16,679	\$ 0.36
Interest, net	17	—	5,509	0.12
(Gain) loss on sale of business	(3,668)	(0.08)	88	—
Unrealized loss on short-term investments held at the reporting date, net	—	—	2,416	0.05
Gain on investments, net	(2,591)	(0.06)	—	—
Income from equity method investments, net	(8,817)	(0.19)	(552)	(0.01)
Amortization	21,179	0.47	25,796	0.55
Share-based compensation	9,421	0.21	7,181	0.15
Acquisition, integration, and other costs	1,214	0.03	2,576	0.05
Disposal related costs	60	—	44	—
Lease asset impairments and other charges	14	—	(160)	—
Dilutive effect of the convertible debt	—	0.03	—	—
Adjusted net income	\$ 53,739	\$ 1.18	\$ 59,577	\$ 1.27

1. The reconciliation of Net income per diluted share to Adjusted net income per diluted share may not foot since each is calculated independently.

Reconciliation of GAAP to Non-GAAP Financial Measures

	GAAP amount	Interest, net	(Gain) loss on sale of business	Unrealized (gain) loss on short-term investments held at the reporting date, net	(Gain) loss on investments, net	(Income) loss from equity method investments, net	Amortization	Share-based compensation	Acquisition, integration, and other costs	Disposal related costs	Lease asset impairments and other charges	Adjusted non-GAAP amount
Q2 2024												
<i>\$ in 000's</i>												
Direct costs	\$(52,590)	\$-	\$-	\$-	\$-	\$-	\$82	\$62	\$101	\$-	\$-	\$(52,345)
Sales and marketing	\$(124,766)	-	-	-	-	-	-	1,093	1,949	-	-	\$(121,724)
Research, development, and engineering	\$(16,795)	-	-	-	-	-	-	1,071	1,271	-	-	\$(14,453)
General, administrative, and other related costs	\$(98,080)	-	-	-	-	-	27,774	9,374	516	77	40	\$(60,299)
Interest expense, net	\$(1,804)	23	-	-	-	-	-	-	-	-	-	\$(1,781)
Gain on investment, net	\$3,051	-	-	-	(3,051)	-	-	-	-	-	-	\$-
Other income, net	\$5,267	-	(4,890)	-	-	-	-	-	(537)	-	-	\$(160)
Income tax expense ⁽¹⁾	\$(6,990)	(6)	1,222	-	460	-	(6,677)	(2,179)	(2,086)	(17)	(26)	\$(16,299)
Income from equity method investment, net	\$8,817	-	-	-	-	(8,817)	-	-	-	-	-	\$-
Total non-GAAP adjustments		\$17	\$(3,668)	\$-	\$(2,591)	\$(8,817)	\$21,179	\$9,421	\$1,214	\$60	\$14	

	GAAP amount	Interest, net	(Gain) loss on sale of business	Unrealized (gain) loss on short-term investments held at the reporting date, net	(Gain) loss on investments, net	(Income) loss from equity method investments, net	Amortization	Share-based compensation	Acquisition, integration, and other costs	Disposal related costs	Lease asset impairments and other charges	Adjusted non-GAAP amount
Q2 2023												
<i>\$ in 000's</i>												
Direct costs	\$(47,421)	\$-	\$-	\$-	\$-	\$-	\$189	\$94	\$101	\$-	\$-	\$(47,037)
Sales and marketing	\$(119,934)	-	-	-	-	-	-	1,038	653	-	-	\$(118,243)
Research, development, and engineering	\$(17,817)	-	-	-	-	-	-	958	133	-	-	\$(16,726)
General, administrative, and other related costs	\$(101,949)	-	-	-	-	(1,500)	33,732	7,127	2,482	60	(221)	\$(60,269)
Interest expense, net	\$(10,483)	7,346	-	-	-	-	-	-	-	-	-	\$(3,137)
Unrealized loss on short-term investments held at period end, net	\$(3,196)	-	-	3,196	-	-	-	-	-	-	-	\$-
Other loss, net	\$(1,503)	-	118	-	-	-	-	-	-	-	-	\$(1,385)
Income tax expense ⁽²⁾	\$(6,461)	(1,837)	(30)	(780)	-	375	(8,125)	(2,036)	(793)	(16)	61	\$(19,642)
Loss from equity method investment, net	\$(573)	-	-	-	-	573	-	-	-	-	-	\$-
Total non-GAAP adjustments		\$5,509	\$88	\$2,416	\$-	\$(552)	\$25,796	\$7,181	\$2,576	\$44	\$(160)	

1. Adjusted effective tax rate was approximately 23.3% for the three months ended June 30, 2024. The calculation is based on a ratio where the numerator is the adjusted income tax expense of \$16,299 and the denominator is \$70,039, which equals adjusted net income of \$53,739 plus adjusted income tax expense.

2. Adjusted effective tax rate was approximately 24.8% for the three months ended June 30, 2023. The calculation is based on a ratio where the numerator is the adjusted income tax expense of \$19,642 and the denominator is \$79,214, which equals adjusted net income of \$59,577 plus adjusted income tax expense.

Non-GAAP reconciliation: Free Cash Flow

\$ in 000's

Ziff Davis	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 50,564	\$ 39,728	\$ 126,122	\$ 155,035
Less: Purchases of property and equipment	(25,504)	(25,233)	(53,633)	(55,250)
Free cash flow	\$ 25,060	\$ 14,495	\$ 72,489	\$ 99,785

Key Operating Metrics by Segment - Subscription and Licensing

Digital Media	2022		2023				2024	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Customers ⁽¹⁾⁽⁶⁾	1,554	1,638	1,715	1,808	1,905	1,908	2,037	2,148
Average quarterly revenue per customer ⁽³⁾⁽⁶⁾	\$41.64	\$39.28	\$40.34	\$37.74	\$37.73	\$38.92	\$36.07	\$33.86
Churn rate ⁽⁴⁾⁽⁵⁾⁽⁶⁾	4.01%	4.23%	3.57%	3.69%	3.14%	2.37%	2.97%	3.19%
Cybersecurity and Martech	2022		2023				2024	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Customers ⁽¹⁾⁽²⁾	1,567	1,505	1,460	1,423	1,395	1,358	1,306	1,272
Average quarterly revenue per customer ⁽³⁾	\$49.90	\$49.84	\$50.01	\$51.43	\$52.37	\$52.98	\$57.79	\$54.25
Churn rate ⁽⁴⁾	3.51%	3.87%	3.17%	3.38%	3.28%	3.38%	3.22%	4.03%
Consolidated Total	2022		2023				2024	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Customers ⁽¹⁾⁽²⁾⁽⁶⁾	3,121	3,143	3,175	3,231	3,300	3,266	3,343	3,420
Average quarterly revenue per customer ⁽³⁾⁽⁶⁾	\$45.81	\$44.69	\$44.78	\$43.75	\$43.92	\$44.77	\$44.55	\$41.74
Churn rate ⁽⁴⁾⁽⁵⁾⁽⁶⁾	3.72%	4.02%	3.30%	3.52%	3.20%	2.86%	3.09%	3.61%

1. Represents the quarterly average of the end of month customer counts. Figures are listed in 000s.
2. Resellers within Cybersecurity and Martech segment are counted as one customer when there is not visibility into the number of underlying customers served by the reseller.
3. Represents quarterly gross subscription and licensing revenues divided by customers as defined in footnote (1).
4. Churn rate is calculated as (i) the average revenue per customer in the prior month multiplied by the number of cancellations in the current month, calculated at each business and aggregated; divided by (ii) subscription and licensing revenue in the current month, calculated at each business and aggregated.
5. Within the Digital Media segment, the churn rate calculation for Ookla includes the sum of the monthly revenue from the specific cancelled agreements in the numerator.
6. The metric includes the sale of perpetual software licenses, revenue for which is recorded at a point-in time rather than over-time.